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NEWS SUMMARY

GENERAL

Three Ulster police killed

Ulster policemen were dead when their patrol car ambushed on a country near Cookstown, Co. yesterday afternoon.

r the car passed a cross- two gunmen who had been n wait, ran into the middle road and opened fire at ar of the vehicle.

of the men were young e members of the Royal Constabulary. The third as a 58-year old reservist, Dublin's Special Criminal a 24-year-old unemployed from Co. Armagh, was d with the murder of Robert Nairac of the Army. Five men have charged in Ulster with Nairac's murder. Irish a news, Page 4

...th pulls out Mozambique

...ian troops started to pull Mozambique after their raid on black nationalist as. Back Page, Editorial ...nt, Page 4

...ts fired in ...ch siege

Moluccan gunmen fired t police television cameras ring the hijacked train in they are holding 55 s in Holland. Despite this t the Dutch Government ed to be about to succeed nging for mediators to end day siege.

...nges noted ...oncordski

guards erected an ... barrier round the rede- TU-144 supersonic air- and the IL-86 Airbus at ...ris Air Show. Concorde s said that the wings and s of Concordski appeared e been extensively altered the original TU-144. Donne's report, Page 4

...drid clashes

Right-wing factions in Madrid. Shots were and several people were d. Less serious clashes n the factions have taken several times since the campaign began. Other rom Spain Page 5

...gian crisis

Leo Tindemans, Prime r of Belgium, last night his resignation to King in after four Ministers in wly formed Government used to attend the formal ...g-in ceremony. Page 4

...ilee Proms

new works, commissioned BBC to celebrate the Jubilee, will have their res at this year's Henry Promenade Concerts. Page ilee feature, Page 14

...a trains

Rail is to run more than ...ra trains over the Spring bilee Bank Holiday.

...0 fish fine

ish trawler skipper was 400 at a special Tyneside after admitting fishing egal nets

...urn To Go

later, the financier, has a contract with Weiden- d Nicolson for the world rights of his autobio-, Return To Go, which is published in October.

...fly ...

e plaque commemorating rld's first high definition adcast 40 years ago is to nveiled by Mr. Ian wan, BBC director general ...te, at Alexandra Palace

d beat Australia by two at Old Trafford in the ne-day Prudential Cup Page 12

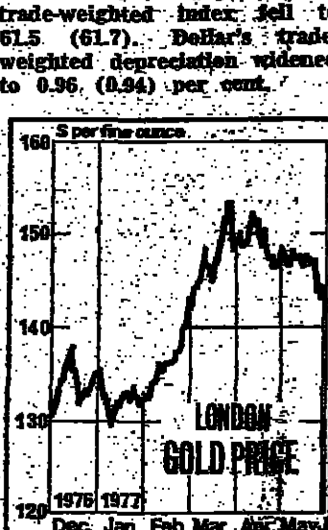
BUSINESS

Equities rise 6.0; gold down $2\frac{1}{2}$

● EQUITIES gained ground, but the rally was largely technical, with buyers showing little enthusiasm. The FT 30-Share Index rose 6.0 to 454.6.

● GILTS made numerous gains from ¼ to ⅜ after a hesitant start. FT Government Securities Index rose 0.14 to 68.61.

● STERLING slipped 2⅜ points to close at $1.7172, while its trade-weighted index fell to 61.5 (61.7). Dollar's trade-weighted depreciation widened to 0.96 (0.94) per cent.



● GOLD fell $2.50 to $142.125—its lowest since early March—in the wake of the IMF auction.

● WALL STREET ...40 to 903.15.

● U.S. MONEY SUPPLY: M1 unchanged at $322.2...; M2 $766.5bn. ($766.1bn.); commercial and industrial loans up ... (down ...).

● U.S. TREASURY Secretary Mr. Michael Blumenthal said that he would prefer to see commercial banks' prime rates lower. Page 5.

New disruption threatened at Heathrow

● HEATHROW maintenance engineers, whose dispute with British Airways affected flights earlier this year appear likely to start potentially disruptive action next week, involving the missing of shifts. Page 11

● BRISTOW helicopter strike is to be called off while a public court of inquiry under a Scottish judge looks into the dispute, which began seven weeks ago. Page 11

● POST OFFICE decision to cut its orders for telephone switchgear by £220m. has been vindicated by a report just published. The report was ordered by the Government when 4,000 Plessey workers were declared redundant because of the cuts. Back Page; Details, Page 7

● OFFER of over £40m. for the Knightsbridge estate in London has been turned down. The bid came from a nationalised industry pension fund. Page 7

● ITALY is putting a temporary ban on some motorcycles and audio parts from Japan to protect local producers. The move is widely regarded as retaliation against Japanese trade restrictions which have hit Italian industries, particularly ski boot makers. Page 6

● STOCK EXCHANGE turnover in equities rose £0.9bn. to a record £2.13bn. last month, while trading in gilts fell £0.04bn. to £8.18bn. Page 9

COMPANIES

● BP disclosed that a tax dispute with an unnamed overseas country could cost the company $57m. The group boosted first-quarter pre-tax profit to £606.5m. (£371.9m.), largely as a result of the build-up in Forties field production and stock appreciation. Back Page, Page 37 and Lex

● GRAND METROPOLITAN lifted pre-tax profit by 30 per cent. to £27.16m. in the half year to March 31. Page 37 and Lex

...F PRICE CHANGES YESTERDAY

...in pence unless otherwise indicated)

RISES

...13pc 1980...	...	+ ...
...n	488	+ 8
...	110	+ 7
...ll	149	+ 7
...(P.)	144	+ 4
...St. Bureau	58	+ 4
...hood (P.)	94	+ 8
... Inds.	100	+ 10
...e	60	+ 7
...Hall A.	278	+ 5
...	223	+ 6
...(J.)	153	+ 8
...	46	+ 4
...(Furniture)	41	+ 4
...ere Estates	199	+ 4
...Siddeley	634	+ 18
...and Welch	315	+ 12
ICI	395	+ 6
Lucas Inds.	309	+ 6
MK Electrical	158	+ 8
Martin the Newsagent	158	+ 10
Rothschild Inv. Tst.	275	+ 5
Thomson Org.	555	+ 17
Tunnel B	180	+ 4
Western Motor	42	+ 5
BP	932	+ 10
Oil Exploration	178	+ 8
Ultramar	176	+ 10
Assam-Dooars	208	+ 8

FALLS

Imry Prop.	190	− 5
Tate and Lyle	231	− 5
Doornfontein	182	− 9
Harmony	323	− 13
Hartebeest	962	− 68
Libanon	256	− 16

Jones opposes new pay curb policy for transport men

BY CHRISTIAN TYLER, LABOUR CORRESPONDENT

Mr. Jack Jones yesterday virtually ruled out a Phase Three incomes policy for his union, the 1.85m.-member Transport and General Workers, and thus for the trade union movement as a whole.

He strongly suggested that the main—and possibly only—ingredient of any central agreement or "understanding" with the Government about what happens after July 31 would be observance of the Phase Two 12-month rule.

He also said that he did not think there should be a percentage norm, although it was the Chancellor's right to look for one if he wanted to.

Mr. Jones was speaking after a meeting of the TGWU's general executive council which, faced with a revolt against incomes policy at the union's conference in the first week of July, decided that it will amend its own resolution to take the opposition into account and keep the union united.

The executive, he said, had stressed again the need for "an orderly return to voluntary collective bargaining" enshrined in its existing resolution for conference. But Mr. Jones yesterday construed the "orderly return" almost entirely in terms of holding the line on Phase Two; and that would carry most major groups of workers well into the winter and into 1978.

Repeating the executive's demand earlier this year for a freeze on a wide range of prices,

MR. JACK JONES
Call to hold Phase Two

especially fuel and fares, he said action on this front was needed to prevent workers abandoning Phase Two in the face of a still-rising retail prices index.

He agreed that action on prices before his own conference would help secure the commitment to an orderly return.

Mr. Roy Hattersley, the Prices Secretary, is believed to be trying hard to win Cabinet acceptance for a freeze on some nationalised industry charges.

While this idea is apparently being resisted by other Ministers, Mr. Hattersley is believed to have some support for the idea of blocking the next school meals increase and it could be that the Government will announce this before the TGWU conference.

Dealing with the problem of workers who are stalling on pay settlements due around now in the hope of doing better in two months, he thought the TUC economic committee would be in favour of people settling under Phase Two.

Some groups, including Merchant Navy officers and Fleet Street journalists, are holding off claims.

Yesterday leaders of the country's 24,000 general practitioners said they would defer their Phase Two rise, awarded last month, and press for 10 per cent. after July 31 instead.

The economic committee meets again on Tuesday week, and is expected to meet the Chancellor for formal talks after that.

Reflationary summer Budget

Continued on Back Page

CBI pay plan, Back Page

Reserves down $229m to $9.9bn

BY MICHAEL BLANDEN

BRITAIN'S OFFICIAL reserves fell last month for the first time this year, by $229m. to $9.9bn.

Taking account of the inflow from official borrowing abroad, including a further drawing from the International Monetary Fund of $360m., this indicates an underlying drop in the reserves of $605m.

The decline is a partial reversal of the heavy inflows of funds which boosted the reserves in the earlier part of the year.

It is thought that last *month there was some withdrawal of* hot money attracted previously by the relatively high interest rates in the U.K. but finding London less tempting as rates came down to their present levels.

Substantial

Last week, the Bank of England, for the first time in recent months, had to cope with significant selling pressure on the pound.

The underlying fall in the reserves probably exaggerates the amount of support involved—the total is affected by other transactions as well—but it is clear that the authorities had to spend a substantial amount to hold the sterling exchange rate.

A halt to the previous upsurge in the reserves had been widely predicted, and the market yesterday showed little reaction to the figures.

Over the first four months of the year, the reserves leapt by some $6bn. to reach their record level of $10.13bn. at the end of April. This increase was only partly due to official borrowing abroad of around $2.2bn.

On top of this, the reserves *gained from a substantial inflow* as last year's adverse movements on commercial payments—the leads and lags—were reversed.

They were also boosted by

Continued on Back Page

Public sector borrowing, Page 8

Rich and poor fail to find the solution

BY REGINALD DALE, EUROPEAN EDITOR PARIS, June 2.

THE WORLD'S rich and poor countries have failed to achieve what they hoped for in their 27-nation talks here—the so-called North-South dialogue.

Outright confrontation has been averted but the conference's inconclusive end can only damage relations between the West and the developing countries.

The *situation to-night* under the principal heads of discussion was:

● **Common Commodity Fund:** A form of agreement has been reached to push forward with the negotiation of a common fund to stabilise commodity prices.

● **Aid:** The Western countries have committed themselves to a substantial increase in official development aid.

● **Debts:** The two sides have agreed to disagree on the demands of the developing countries for a massive rescheduling of their debts.

● **Energy:** The developing countries have rejected the main Western demand for continuing consultations on energy. Although the West accepted that it could not use such consultations to try to fix future oil prices, it had hoped at least to *establish a potential forum for* putting its point of view.

The 18-month talks staggered into their final phase more than 24 hours late to-night.

Most of the aid, trade and financial package the Western industrialised countries planned to offer to secure the conference's success seemed likely to remain on the table.

It seemed improbable that the West would pursue its offer with much enthusiasm after the disorderly end to the talks. The new Carter Administration in Washington is bound to be upset by the developing countries' rejection of the energy dialogue. This is one of its first major foreign policy setbacks.

Breakdown

Mr. P. J. Patterson, the Jamaican Foreign Minister, declined to judge the conference a failure. The 19 developing countries represented at the talks had not managed to secure the acceptance of most of their major demands but a "modest advance" had still been made, he told a Press conference.

But there is doubt whether the U.S. Congress will ratify the $375m. American contribution to the $1bn. emergency aid fund for the poorest countries which was the main feature of the West's offer.

The West's commitment to look more sympathetically at third world demands for a new common fund to stabilise commodity prices also remains to be tested when negotiations on the fund resume in Geneva in November.

The limited degree of agreement reached after a year-and-a-half of negotiations was put together only after the conference reached the verge of breakdown early this morning with the 19 rejecting repeated Western proposals for a new dialogue on energy.

The Western industrialised countries, and particularly the U.S., wanted to continue talking to a restricted group of developing countries on energy after the conclusion of the wider talks here. Their insistence that they were not trying to interfere in the decisions on oil prices to be taken by the Organisation of Petroleum Exporting Countries fell on deaf ears.

Officials said the main *reasons* for the intransigent stand of most of the oil producing countries was that they did not want oil importing developing countries included in the consultations.

Bankruptcy

Oil importing developing countries like India and Pakistan are even more strongly opposed to oil price increases than the West.

The developing countries are particularly concerned that no agreement has been reached on the issue of debt relief.

The West has said it is prepared to accept new procedures for bailing out developing countries before they reach the edge of bankruptcy. The 19, however, are still insisting that any new rules should apply automatically to all countries. The West maintains that each case should be treated separately.

The West's offer of $1bn. in emergency aid was intended to go some way to providing immediate relief for the poorest countries.

The second part of the West's offer was a more favourable approach to the Geneva negotiations on the proposed common fund for commodities, the third an undertaking to study new ways of guaranteeing developing countries' export earnings.

The developing countries want as much as $6bn. to be allocated to the common fund to finance 18 new commodity agreements.

The West believes that no more than five to seven commodity agreements make economic sense.

Where divisions lie, Page 6

£ in New York

—	June 2	Previous
Spot	$1.7168-7173	$1.7193-7197
1 month	0.80-0.75 dis	1.07-1.00 dis
3 months	2.05-2.00 dis	2.53-2.46 dis
12 months	6.80-6.70 dis	7.60-7.50 dis

Swiss banks given new code on foreign funds

BY JOHN WICKS ZURICH, June 2.

THE SWISS National Bank and the Swiss Bankers' Association to-day signed an agreement detailing a code of conduct on Swiss banks' handling of foreign funds flowing into Switzerland and on the way the Swiss banking secrecy laws should be applied.

The drawing-up of the code was precipitated by the so-called Chiasso affair, where a branch of Crédit Suisse (Switzerland's third largest bank) was found to have channelled some Sw.Frs. 2.17bn. worth of funds entrusted to it by foreign clients into a Liechtenstein holding company of still unknown net worth.

The code has been drawn up hurriedly in order to get in before the opening of Parliament next week. The Chiasso affair has caused a furore in Switzerland and the future of the Swiss banking industry is expected to be hotly debated.

It classes certain activities as "improper" and sets out punishments for those who engage in improper activities. The bare bones are twofold: First, banks will in general be expected to identify the real owner of deposits or securities placed with them or in their care on a portfolio management basis.

Secondly, they will be expected to refrain from accepting some of the more unsavoury money which has a tendency to flow to Switzerland—in particular funds which it should be able to recognise as having been acquired by means which would be illegal in Switzerland.

Actively canvassing abroad for various kinds of funds will be considered "improper" under the code, with funds fleeing their home country in order to evade local taxes also included under *this head*.

The new rules on identification of clients are to take effect from July 1 for new customers and from July 1, 1978, for existing customers. There is a cut-off point at Sw.Frs.1m.

Hard-sell

The initial reaction among Swiss bankers to-day was that apart *from the imposition of sanctions*—regulation of Swiss banking has generally taken the form of "gentlemen's agreements"—the code does not involve far-reaching reform.

It could, it is felt, upset the business of some smaller banks specialising in hard-sell promotion of the "suitcase trade," but would hardly worry the larger banks particularly since these are themselves now reviewing their operations very closely after the shock of the Crédit Suisse affair.

Mr. Alfred E. Sarasin, president of the Bankers' Association, said to-day that the content of the agreement was not new, but simply represented what good bankers had always worked to and what had been normal practice in the vast majority of all banks. The agreement would *help restore the damaged reputation* of Swiss banking, he stated.

But Dr. Fritz Leutwiler, National Bank president, said the agreement was "more than just a pious recommendation." Fines of up to Sw.Frs.10m. could be imposed on signatories, while the Swiss Banking Commission would consider the suitability of individuals involved to manage a bank irreproachably, as called for by provisions *of existing federal law*.

The National Bank had considered "demystifying" the institution of numbered accounts by giving numbers to all Swiss bank accounts. This has posed too many operational difficulties for it to be introduced, though.

Banks are not obliged to sign the new agreement.

Report details, Page 41

GEC likely to control merged turbine generator industry

BY MAX WILKINSON

THE Government has been told by the National Enterprise Board that the General Electric Company must have complete control of a merged turbine generator industry.

And yesterday the Government announced that it was supporting the Enterprise Board's view.

The plan is that GEC should have a shareholding of at least 60 per cent. in the merged company. *Reyrolle Parsons, the other* company in the field, would have a minority shareholding, or perhaps, would sell its interest altogether.

This scheme, worked out earlier this year, was reported in the Financial Times on February 10.

Safeguards

The Department of Industry said yesterday that the Enterprise Board would have a substantial share of the merged company and that safeguards would have to be agreed on the future of Parsons's Newcastle works.

It appears that GEC, the Enterprise Board and the main board of Reyrolle Parsons could now reach agreement, but both companies have said they cannot agree terms against the resolute *opposition of the unions involved*.

Mr. Eric Varley, the Industry Secretary, yesterday spoke to representatives of all the unions affected and spelled out the Government's policy in vigorous terms. He asked them to back the merger in the long-term interest of the industry.

The Confederation of Shipbuilding and Engineering Unions is to consider his appeal early next week. Its decision will be crucial in influencing the Parsons workforce, which is strongly anti-GEC. The unions at GEC, on the other hand, want a merger, and believe that their company should be in charge.

The Government's contribution to the merger would be to order a £600m. *power station at Drax* near Selby. This would provide work for the Newcastle works in the merged company.

It would help the inevitable rundown of manning in the industry—from 16,000 to about 10,000—to be phased more gradually.

If there was no merger, the Drax power station would still probably have to be ordered to give work to the boilermakers Babcock and Wilcox.

FEATURES

ON OTHER PAGES

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LOMBARD

Paying for a free Press

BY REX WINSBURY

THE BRITISH, with the Americans, believe that democracy needs a free Press, that a free Press means a Press free of government intervention, and that government money would mean government intervention. Most Continental European countries view it differently. Democracy needs free Press, they argue: a free Press means a Press that represents the diverse political and religious groups in society: therefore there is a government obligation (supported by right and left of the political spectrum) to ensure the survival of the requisite newspapers.

Hence the paradox that from a similar concern about democracy, they subsidise their newspapers, and we do not. Indeed, the British distaste for state subsidies for the Press has just been shown in a dramatic way. Only last year the Royal Commission on the Press, in its interim report, took the fairly revolutionary step, within the British context, of recommending a limited and circumscribed form of government help to national newspapers in financial straits, to aid the implementation of new printing technology.

Solution

But in the event, not only did the industry fail to find a formula for introduction of new technology that was acceptable to managements and unions, and against which the money could have been given: but it also plumped, much to the disgust of its critics, for a private rather than a public solution to its problems. First, the Observer after its financial troubles was sold to the U.S Atlantic Richfield oil company headed by Mr. Robert Anderson, and now the equally troubled Express group is considering overtures from two other tycoons, Sir James Goldsmith and Mr. "Tiny" Rowland. Private funds are better than public funds, it seems, even if the private funds derive wholly or substantially (as they do with all three men) from abroad.

This country still has its believers in Press subsidies, who argue that oil money (or food money) may be at least as "tainted" as State money, that the free market approach to the Press has not produced a Press that corresponds to the real needs of British society, and that if subsidies work on the Continent, why not here? The argument has been bedevilled by a lack of a clear reference work on how other countries subsidise, and why, and with what effect. A paper drawn up not long ago by the Newspaper Publishers' Association was not published, no doubt for good reason. But now the study by Mr. Anthony Smith for PEP and the International Press Institute not only sets out the facts, but judiciously manages to knock down an equal number of shibboleths on both sides of the argument.

There is no evidence, he suggests, that the extensive Press subsidies in certain countries compromise the independence of their Press—on the contrary, the very fact that State subsidies are given openly and by law for the express purpose of keeping alive a diverse political Press itself puts both sides in the transaction on their best behaviour. Nor is it wholly true that the British Press is not already subsidised. It does not enjoy the wide range of direct subsidies that, say, the French or Swedish Press get. But it is zero-rated for VAT on both sales and advertising, and that, in the Continental view, is a subsidy, and a valuable one—perhaps £100m. a year, according to Mr. Smith.

If then our Press is subsidised, and subsidy does not necessarily mean interference, why cannot we have more purposive subsidies? The Royal Commission for example felt that its technology subsidy could be a limited-purpose, limited duration affair, that would not make the Press a permanent pensioner of government.

But Mr. Smith argues with force that subsidy is a path which, once taken, cannot easily be quit. It is not just the precedent that is set: rather, once a government has decided to support (or change) a given structure of the Press with cash, it is led inexorably towards taking a view on matters like freedom of information, libel, oligopoly, technology, the rights of the editor, newsroom democracy, and a host of other issues.

Irrelevant

But the root conclusion to be drawn from the study is that the continental panoply of subsidies is, in fact, irrelevant to this country. It grew up in response to a different theory of the role and responsibility of the Press: it is successful and acceptable because of the different political context in which it operates.

That does not prove that no form of subsidy would ever work in this country. What it probably does prove it that no form of subsidy will work successfully (that is without detriment to the Press) unless both sides agree to both its desirability and its purpose. Such a consensus does not exist on the British side of the Channel.

PEP report on subsidies, Page 8

NORTH SEA OIL REVIEW

Challenging lessons for B

IT HAS been quite a week. The British National Oil Corporation has flexed its muscles, presented its first report and accounts and, indirectly, challenged the Government's refinery policies.

Occidental drew support from these policies when it submitted revamped plans for its suspended Canvey Island refinery project, a scheme which is likely to renew the controversy both on the island and—in view of the general refinery over-capacity—within the oil industry.

BNOC will learn at first hand much more about such downstream problems thanks to the state participation deal concluded on Wednesday with British Petroleum.

Meanwhile, in the North Sea the Pan Ocean group has injected more interest in its puzzling Brae Field by releasing initial details of its latest, apparently successful well. Phillips Petroleum has confirmed that its Toni well looks promising, while the Sun Oil group has actually tested an oil flow (1,275 barrels a day) on its block 211/22 discovery. The Venture One semi-submersible rig is being used to drill a second well on the block.

It is also becoming clear that the pace of offshore rig activity is quickening, even without the impetus of fifth round licensing, which has still to be concluded. Latest Department of Energy figures show that in mid-May there were 24 exploration and appraisal wells being drilled; as against 21 in 1976. There were also 14 development wells being sunk, two more than at the corresponding point last year.

The figures show that companies are hastening to fulfil their fourth round drilling commitments and to decide exactly what portion of blocks they should relinquish. No fewer than 118 licences were awarded in the fourth round and acreage is due to be handed back to Government either in November or in spring next year. Some groups are finding it difficult to divide up their blocks so that they avoid handing back known oil-bearing acreage. The Mobil group is one facing such a dilemma.

The Mobil group, which includes Amerada Petroleum, British Gas and Texas Eastern, was one of those who paid for the licence; in the case of block 9/13 some £8.1m. This licence carries no specific drilling commitment but the block has emerged as one of the most heavily drilled concessions in the North Sea.

No less than 25 exploration, delineation and production wells have been sunk at a total cost of about £90m. The discovery of the Beryl Field led the group to invest more than £300m. on a platform-based production system. Mobil suffered considerable disappointment (and embarrassment) when the first production well from the platform failed to find oil-bearing Jurassic rock and the following three wells turned out to be fairly dismal producers.

Later development wells, placed mainly to the west of the platform, have been far more successful, yielding rates of 20,000 and 30,000 barrels a day. Consequently Beryl is now producing oil at the rate of 70,000 to 75,000 b/d. The build-up of production is expected to be interrupted for several months while Mobil drills gas and water injection wells and commissions compressors. The Beryl Field is producing about 100m. cubic feet a day of associated gas and Mobil is anxious to halt the wasteful flaring.

It is expected, however, that Beryl will be yielding oil at its expected peak rate of 85,000 to 100,000 b/d next year. In spite of the production drilling surprises Mobil has not changed its ideas about the rate of output or the recoverable reserves (about 400m. barrels). The shape of the reservoir is still not clearly defined, however.

Mobil is also keen to learn more about other reservoirs on the block. The company said this week that total recoverable reserves in 9/13 could be about 750m. barrels—a little short of the figure for Occidental's attractive Piper Field. Mobil is using the rig Sinbad to drill a delineation well in south-east of the block. At least one more well will be drilled this summer. This will still leave the group with the problem of mapping the relinquishment areas. Reservoirs in the south east (Beryl Field), the south west and the central northern section of the block (North Beryl) have still not been fully delineated.

If Mobil is forced to relinquish half the acreage (and it is discretionary on the part of the Government) it must hope that it will at least be the front runner to win back the licence in a later round. But it must also be well aware that both its partner, British Gas, and BNOC have the opportunity of gaining licences at any time. Theoretically there is nothing to stop either of these bodies mopping up all the oil-bearing acreage relinquished by offshore groups.

Up to now Lord Kearton, chairman and chief executive of BNOC has not expressed any desire to indulge in such practices. He would be the first to admit that the Corporation is fully stretched meeting its existing commitments. In Glasgow this week he praised his 520 staff for the extremely long hours they were working.

The oil industry is beginning to accept — perhaps somewhat grudgingly — that in the past year BNOC has gained in both teeth and muscle. The Corporation's abilities continue to be questioned by a number of senior oilmen (in private) but few criticise BNOC's workrate and depth of involvement.

For his part, Lord Kearton pays tribute to the private sector. "Their contribution has been enormous," he said. He felt there was no less unease about the Corporation's role: "We haven't nationalised anyone. . . . We are a David in a population of giants." He is quietly pleased that oil companies have attempted to poach staff from BNOC. Officially, however, he has denounced the practice.

The Corporation's first annual report shows the scope of this oil industry "David." Its turnover in the first year was £23.5m.; its operating profit was £7.5m. and its net assets stand at £358m. Irrespective of its fifth round licensing role, it has a direct stake in 59 blocks or part blocks, extending over 9,000 square kilometres; it has equity interests in one producing gas field (Viking) and five oil fields under development (Thistle, Ninian, Dunlin, Statfjord and Murchison). Taking participation deals into account, the Corporation could have access to around 30m. tonnes a year in the 1980s.

This figure may increase as new oil fields are proved as commercial ventures. A case in point is the Pan Ocean Group's Brae Field on block 16/7, in which BNOC has a 20 per cent equity stake. The prospect is one of the most baffling in the North Sea; at one point it looked like being one of the region's brightest jewels with possibly 1bn. barrels of recoverable oil reserves. A series of disappointing wells has tempered the excitement to a point where unofficial estimates suggest that reserves of 750m. barrels might be more reasonable. In truth, no-one is quite sure. There seems to be two distinct schools of thought: those who feel that the poor producing characteristics of the reservoir make Brae an uninspiring find; others who believe that a way will be found to exploit what appears to be considerable quantities of oil and gas in place.

This is why the industry will pay particular attention to the eighth well now being drilled on the Brae block by Odin Drill. Pan Ocean, a wholly-owned subsidiary of Marathon Oil, took the unusual step this week of releasing details of the well before it had been tested. Preliminary core analysis and well logs had been "encouraging," it said. Over 700 feet of net hydrocarbon pay zone had been identified in a 1,125 feet gross section of Jurassic rock. Significantly the well appears to show attractive producing characteristics, good permeability and porosity. Two questions need to be answered over the next few weeks: will the reservoir live up to expectations when it is flow tested; and is the find on the main Brae Field or in a separate structure.

BNOC will be interested in the answers for a number of reasons. Apart from wanting to sort out priorities for various field developments, the Corporation will want to know how much more equity oil it will have to market in the future and, through its interest in the Gas Gathering Pipelines, how much associated gas it might have for use in chemicals.

For it is on the cards that BNOC will eventually become involved in both the oil refinery business and chemical manufacturing. Lord Kearton says that he has no intention of moving into other fields before the early 1980s. Like those in other major oil companies, he questions whether new primary refinery capacity is needed at present. Indeed, he seemed to take a tilt at stated Government policy by advocating the export of a size proportion of premium North Sea crude so that refin could continue using

BNOC's interests in Gas and Oil Fields in production or under development

Field	Type	Location of field (Blocks)	Proven recoverable reserves of field†	Year of first production	Operator	Estimated interest (%) of Corporation in field
Viking	gas	49/13, 49/17	81	1972	Conoco	50
Thistle	oil	211/18, 211/19	73	1977	BNOC (BODL)	16.2
Ninian	oil	3/3, 3/8	146	1978	Chevron	21
Dunlin	oil	211/23, 211/24	73	1979	Shell	12
Statfjord*	oil	211/24	58	1979	Mobil	33.3
Murchison*	oil	211/19	45	1980	Conoco	33.3

* U.K. sector only

† Million tonnes for oil; billion cubic metres for gas.

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40 a.m. Open University (UHF only). 10.45 You and Me. 11.05 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Playboard. 2.02 For Schools, Colleges. 3.20 Jeremy. 3.53 Regional News (except London). 3.55 Play School. 4.20 Inch High Private Eye. 4.40 Screen Test. 5.10 Desert Adventure. 5.35 Captain Pugwash.

5.40 News.

5.55 Nationwide (London and South East only).

6.20 Nationwide.

6.45 Sportswide.

7.05 The Tom and Jerry Show.

7.15 The Water Margin.

8.00 It's a Knockout.

9.00 News.

9.25 Harry O.

10.15 Tonight (London and South East only).

10.45 Regional News.

10.46 Soccer Special: Northern Ireland v Wales (highlights).

11.16 Ballroom Champions.

11.46 The Friday Film: "Sky West and Crooked," starring Hayley Mills.

All regions as BBC 1 except at the following times:

Wales—1.45-2.00 p.m. Tredwt. 5.55-6.20 Wales To-day. 7.05 Heddiw. 7.35-8.00 Twndish. 9.25 Jubilee. 10.15 Kane on Friday. 10.45-10.46 News for Wales.

Scotland—12.20-12.45 p.m. Bonn Comhraidh (talking point). 5.55-6.20 Reporting Scotland. 7.05 The Food Programme. 7.30 It's a Knockout. 8.30-9.00 Current Account. 10.15-10.45 The Pleasure Is Mine. 10.45-10.46 News for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 Harriet Sheehy talks to Andy O'Mahony. 10.45-10.46 News for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth). 10.15-10.45 East (Norwich) On Camera; Midlands (Birmingham) What Became of To-morrow; North (Leeds) In Conversation: Wilf McGuinness; North East (Newcastle) Friday North; North West (Manchester) Champion Brass; South (Southampton) Report South; South West (Plymouth) Peninsula; West (Bristol) The Plastic Surgeons.

BBC 2

6.40 a.m. Open University. 11.00 Play School. 5.20 p.m. Open University. 7.00 News on 2 Headlines. 7.05 Model World. 7.30 Newsday. 8.05 Gardeners' World. 8.35 The Money Programme. 9.00 Call My Bluff. 9.30 Worldwide. 10.20 Murder Most English. 11.10 Late News on 2. 11.20-11.25 Music at Night played by Terence Judd.

LONDON

9.30 a.m. Schools Programmes. 12.00 A Handful of Songs. 12.10 p.m. Rainbow. 12.30 Those Wonderful TV Times. 1.00 News plus FT index. 1.15 Today's Post. 1.30 About Britain. 1.55 Racing from Epsom. 4.00 The Cedar Tree. 4.30 Cartoon Time. 4.45 Magpie. 5.15 University Challenge. 5.45 News.

6.00 Today—London Looks Forward.

6.35 Crossroads.

7.00 Beryl's Lot.

7.30 The Many Wives of Patrick.

8.00 General Hospital.

9.00 Police Woman.

10.00 News.

10.30 Police 5.

10.40 The Friday Film: "Frankenstein Must be Destroyed," starring Peter Cushing.

12.30 a.m. Close—Roger Snowdon reads a poem by A. E. Housman.

All IBA regions as London except at the following times:

ANGLIA

[illegible]

ATV

[illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1 247m

[illegible]

RADIO 2 1,500m and VHF

[illegible]

RADIO 3 464m, Stereo & VHF

[illegible]

RADIO 4 434m, 330m, 285m and VHF

[illegible]

BBC Radio London 206m and 94.9 VHF

[illegible]

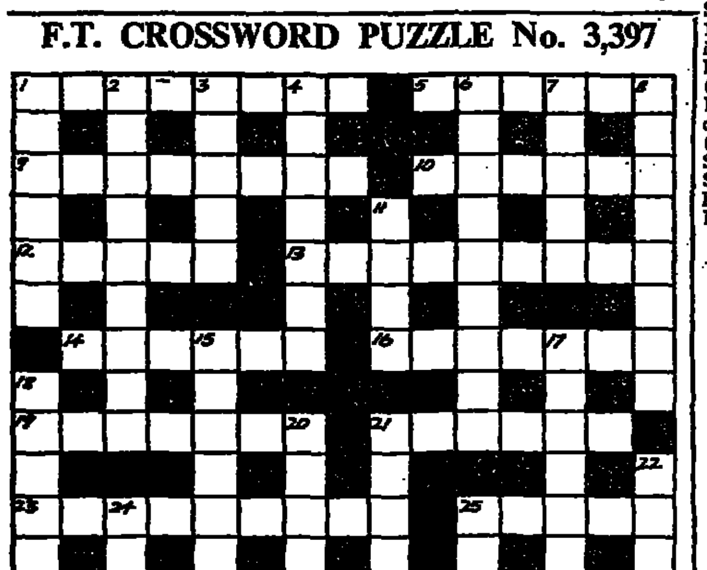
London Broadcasting 261m and 97.3 VHF

[illegible]

Capital Radio 194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 3,397



ACROSS

1 Failure by part of Ireland to drop through tiredness (4, 4)

5 Which people take action to sound like a spell of bad luck? (6)

9 It's sensible to share a pound (8)

10 Tried by the way to wander (6)

12 A soldier the French find athletic (5)

13 Dressing things given to one allowed a hair-do (6, 3)

14 Irritable in the fried fish shop (6)

16 Vessel used by Cooks (7)

19 Swears while watching big cricket matches (7)

21 Separate change etc. had . . . (6)

23 . . . recent demonstration knocked sideways (9)

25 Poles are making gin (5)

26 Expire in desert (3, 3)

27 Half a king-sized bottle (4-4)

28 Eager to be old-looking about journalist (6)

29 Scoundrel born on barge (8)

DOWN

1 Correct class given to a beginner (6)

2 Unfashionable and very progressive—come on, confess (3, 4, 2)

3 Airport built by daughter with foreign capital (5)

4 Effect of whip on your old-fashioned rich

6 British motorists stay extremely radical (2, 3, 4)

7 Refuse to take doctor round ship (5)

8 Upset plain tea dispenser (8)

11 Prejudice exploited by bowler (4)

15 Pours sand in order to circulate (4, 5)

17 Potter making rubbish more or less (4, 5)

18 Badger the blinking local paper (8)

20 Alone during card game (4)

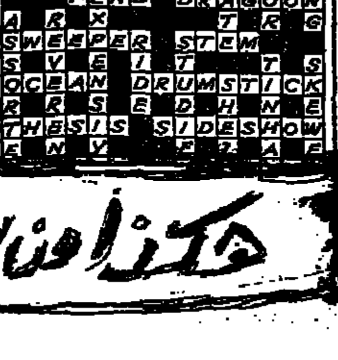
21 Boring part of prison with electricity supplier (3, 4)

22 More fervent mourner (6)

24 Strained and possibly imperfect (5)

25 Child's plaything found in southern end of house (5)

Solution to Puzzle No. 3,396



RACING

Lucky Mickmooch

Sanyo Handicap at

ONLY SEVEN line up for this afternoon's £6,000 Sanyo Handicap at Epsom. But the race promises to provide the best finish of the day for cases can be made out for each of the runners, who are headed by Amboise.

My idea is a likely win for John Winter's Newmarket representative, Lucky Mickmooch.

The winner of the Carshalton Stakes on the corresponding card a year ago, Lucky Mickmooch has made only two appearances this term. A respectable fourth of 15 behind Indian Mark in a competitive mile and three furlongs handicap at Windsor early last month, Lucky Mickmooch then went one better.

It finished third, beaten a short head and three lengths by Winged Dagger and Bagshot in Kempton's Ambition Handicap over to-day's one and a half mile trip.

Well treated with 8st 1lb and ridden by the strongest jockey riding at that weight, Willie Car son, Lucky Mickmooch can re gain winning form by outpacin another lightly-weighted cours winner, Night Sky.

A second possible winner fc Carson, who felt a furlong fror home that his Derby efforts o Hot Grove were going to pay of is the James Bethel-traine Chads Gamble.

EPSOM

2.00—Chads Gamble*
2.35—Persian Friend**
3.10—Lucky Mickmooch***
3.40—Great Memoirs
4.15—Welsh Dancer
4.50—Calspea

This chesnut son of St. Cha put up a particularly encoura ing performance last time ou failing by only the minimu distance to peg back the mo experienced Marjolaine in a auction event at Goodwood.

SALEROOM BY AN

Silver ewer tops £12

A DUTCH ewer and basin made of silver and bearing the arms of the Duke of Sussex, sold for the exceptional price of £125,000 (plus the 10 per cent. buyer's premium) at Sotheby's yesterday. The items weighing 85 ounces were made in Utrecht in 1632 by Christian van Vianen and came to the U.K. in the early 19th century to enter the Duke's collection. When his silver was sold at Christie's in 1843 the ewer and basin fetched £85.

They made the top price in an auction which set a new London record of £463,495 for silver. A pair of Charles II candlesticks by Jacob Bodendick, which sold for £2,300 in 1950 at Sotheby's, yesterday went for £33,000, while a pair of 17th century Dutch standing salts by Thomas Bogaert of Utrecht realised £22,000.

Other high prices were the £13,500 from Partridge Fine Art for a set of four mid-18th-century table candlesticks attributed to George Moser; £12,500 for a set of four George III silver gilt three-light candelabra, by Scott and Smith; £11,500 from Freeman for a 1972 dinner service for 12, made by Christopher Lawrence (the centrepiece won the Jacques Cartier award of 1973); and £10,000 from Stodel for a 17th-century German parcel-gilt, two-handled, covered bowl.

In contrast the first day of a book sale at Sotheby's totalled £17,329. The first 156 volumes of The Sporting Magazine fro 1792-1870 made £2,600; and volumes of The New Sporti Magazine of 1831-46, £520. T Cambridge Union Society d posed of surplus stock for £4,27

At Sotheby's, Belgravia p lids, Goss, and other wares ma £20,391. A model of Sulgra Manor, the home of Geor Washington's ancestors, sold f £780, a record auction price f an item of Goss. A creamwa "Liverpool Amnesty" jug ma for the Silver Jubilee of Geor III realised £400.

Christie's brought in £58,3 from English and Continent

Top Russia may join th

THE BBC is hoping to appoi a leading Russian conductor chief conductor of its Sy phony Orchestra. He is Genna Rozhdestvensky, formerly chi conductor of the Moscow Rac and TV Symphony Orchestra a the Bolshoi Theatre.

Mr. Robert Ponsonby, t BBC's music controller, nounced the move yesterd when he launched the 19 Proms season. He read a sta

Glyndebourne

Vixen/Voix humaine

All credit to Glyndebourne for reviving Jonathan Miller's 1975 production of Janacek's *The Cunning Little Vixen* — so glorious an opera, in a staging so valiant and serious (if not always entirely successful), deserves persevering with. Some loose ends have been tightened: the massacre of the hens at the end of the first act is now much more purposefully enacted, the vixen plays out a clearer, spryer comedy in her moonlight vigil over the three tipsy forest stragglers, and the clutter of uncertain animal imitation at the start has been pruned.

Animal mime, by actors (especially child actors) not schooled to the point of subconscious fluency and deftness, still heads the dippings and bowings in the dangerous direction of cuteness. But then, Janacek's vision of animals imbued with human sentiments is as difficult to achieve completely as it is wonderfully worth attempting; and a production that scores in so many other ways by its sober vitality cannot be accused of grievously misrepresenting it.

It is hard to set down in print the life-enhancing feelings the opera evokes in performance without becoming impossibly misty-eyed or sententious; and equally hard to think of another opera more bound to awaken in the shattered 20th-century urban ear a sense of living and growing things, of the inextricable connection, unsentimental and organic, between man and nature. It was Janacek, after all who (in his own words) could "listen to the birds singing; I wonder at the manifestation of rhythm in its million different forms in the world of light, colour and shapes; and my music remains young through contact with the eternally youthful rhythm of Nature." Simon Rattle, young in years, is an excellent choice of conductor for the revival. From the lithe, clean, infectiously vibrant manner in which the London Philharmonic attacked Janacek's nuggety cells and repeated rhythmic patterns, it was immediately and rewardingly apparent that he has an instinctive command of that eternally youthful rhythm. In the dry Glyndebourne auditorium, to which Janacek is better suited than many another composer, the difficulties of those high string figures and tortuous bassoon flourishes are not concealed. Some of the playing had rough edges; but the spirit behind it, energetic and also lyrical, was just right.

To the original cast Thomas Allen's Forester is the only significant newcomer. He has still to fill out to the final degree the clothes and the skin of the character, and still to discover further opportunities for soft singing, which the acoustic allows but which Mr. Rattle and the orchestra do not always sufficiently encourage. In voice, full, steady and beautiful, in figure, and in robust, sensitive colouring of the words, his is already a notable portrayal. The Vixen of Norma Burrowes returns in even livelier form, freer in movement and humour, still sparkling and pure along her high phrases. Of a large cast, Bernard Dickerson's Schoolmaster, Alan Watt's Dog, and the Cook of the ageless Hugues Cuenod are particularly well remembered; the Fox, again cast as a tenor (Robert Hoyem) in defiance of the composer's own call for soprano, swaggers with a gleam but sings with slight strain.

The novelty of the revival is the decision to play the opera on its own, a shortish evening, through without interval. Patrick Robertson's wooden revolve, eminently functional if still finally drab-spirited, and back projections of leaf and thicket permit smooth, quick transition, and the gain in concentration is considerable. The decision to provide a curtain-raiser is also all to the good. Except on the grounds of shrewd economy, however, the Poulenc-Cocteau monodrama *La Voix humaine* provides the most peculiar and unlikely choice of companion for Janacek imaginable.

My own reaction to the piece always wavers wildly, and did again on Wednesday. First response to the sophisticated triviality of the subject, a woman bidding her unseen lover farewell in a lengthy and frequently interrupted telephone call, is extreme irritation, and a suspicion that, despite the quickwittedness of the orchestration and the blend of declamatory and lyrical vocal styles, Poulenc's music is betraying, dragging out Cocteau's theatrical conceit. Then, increasing fascination with the details of its manufacture, the punctuations of "Allo!" the intrusion of banal conversational chitchat into the emotional outpourings, the reminiscences and self-pitying. And finally, a dawning realisation that Poulenc's oddly grave, hieratic manner of layering and embedding his phrases has worked its characteristic spell, and that one is absorbed, even, in the end, moved.

Glyndebourne has done well by Poulenc and Cocteau, with an attractively designed 30s set and costume from Martin Battersby, and a bold choice of protagonist in Graziella Sciutti, who is also her own producer. If it is remembered that Miss Sciutti was a pupil of Sacha Guitry's, and had an early success at Hahn's Mozart, the casting will not seem odd, nor Miss Sciutti's success unlikely. She lends considerable conviction to the music by the eloquent sensitivity with which she manages the difficult alternation of slow and fast-uttered phrase, of near-speech and lyrical line. Her enunciation, not impeccable in every detail, has character, colour and flavour of the kind that in French one associates with Supervia's records.

There is flavour, grace and delicacy in her singing, though on Wednesday these qualities were tempered by wayward intonation. The final impression is of warm sincerity and accomplishment, if not yet the last ounce of hypnotic pathos. The flexibility with which Calvin Simmons and the orchestra partner Miss Sciutti sometimes exacts a price of imperfect chording and loose ensemble. An odd, interesting double bill, in sum, to which the Compton-Burnettish *Indoors and Outdoors* might be thought an approprite sub-title. At the very least, the *Vixen* half is memorable.

MAX LOPPERT

Cinema

Colour me real by NIGEL ANDREWS

Bound For Glory (A)
ABC Shaftesbury Avenue
The Prince and the Pauper (A)
Carlton
Echoes of a Summer (A)
Odeon Haymarket
Fire (A) Warner West End

Charlton Heston and Rex Harrison in 'The Prince and the Pauper'

"If colour is to be of permanent importance," wrote Graham Greene in a film review in 1935, "a way must be found to use it realistically, not only as a beautiful decoration." Can colour, he went on, "reproduce with the necessary accuracy the suit that has been worn too long, the oily hat?" Well, 42 years on we can answer Mr. Greene with a resounding "Yes." The cinematic prophets of doom who greeted the arrival of colour long ago with the same scepticism as they had the arrival of sound must now, if they are still with us, eat their hats, oily and otherwise. For over the past few years colour has taken astonishing strides into realism.

Realism? Well, not precisely: for realism is in the eye of the beholder. You have only to find yourself in a dispute with someone over the colour adjustment knob on a television set to know that everyone has different ideas of what is "realistic" colour. What matters is that the cinemaphotographer's palette is now more *versatile* than ever before, its expressive range larger, and its hitherto questioned ability to produce subtle, muted, low-key colours fully vindicated.

★

In *Bound For Glory* everyone's suit has been worn too long and everyone's hat, whether dusty, oily or otherwise dilapidated, has seen better days. This is Depression America, circa 1936, and the colour photography of veteran cameraman Haskell Wexler is a revelation. Wexler photographs dust and haze and shimmering heat as if they were floating out at us from the cinema screen; he captures the sickly, vaporous twilight of a California work camp; he finds the right grainy, weatherbeaten textures for the characters' clothes and faces; and he offers us one shot of an approaching dust storm so hugely and ominously spectacular that it out-DeMilles DeMille.

One neglects, in one's adulation for the film's looks, to mention what it is about. It chronicles the early life of American folk singer and guitarist Woody Guthrie; that child of the Depression who composed such jaunty-mournful songs as "This Train is Bound for Glory" and "So Long, it's been good to know you." Guthrie has been impersonated in the cinema once before in recent years—as Arlo Guthrie's father, he enjoyed a brief reincarnation in *Alice's Restaurant*—but here he receives the epic treatment. *Bound For Glory* lasts 2½ hours, spans several years of Guthrie's life, and has about it that brooding, burnished solemnity that spells Hollywood in its Homeric mood.

After a prologue set in Guthrie's dusty home town in Texas — where, to support a wife and two children, he earns a skimpy living as a signwriter —the film records his impulsive decision to leave for California; his sojourn there among the down-and-outs of the work camps and soup kitchens; his "catching the eye" of a Los Angeles radio producer; his swift rise to fame; his struggle to reconcile his politics (as a champion of the poor and a budding unionist) with his work on a sponsored radio show; finally his turning his back on a lavish coast-to-coast singing contract to continue and broaden his life as a kind of wandering minstrel.

Guthrie is played—and admirably—by David Carradine. In addition to displaying a singing and guitar-strumming talent the equal of his brother Keith's (cf. *Nashville*), Carradine has the pale, hollow-cheeked, bristle-chinned look of a true son of the Depression. He shambles through the film in as un-starry and downbeat a lead performance as one has ever seen in a "prestige" Hollywood film. But honesty has its own magnetism, and second to the photography the sloppy truth and charm of Carradine's acting prove the film's greatest asset.

The Entertainment Guide is on Page 9

One wishes the rest of the film matched its unforced originality. Once the story reaches California, shades of *The Grapes of Wrath* begin to close around the film, and the myriad potential themes contained in Guthrie's life are edged out by that old and surefire Hollywood motif, The Indomitable Spirit of Man. Guthrie's battle with the System becomes the film's sole dramatic raison d'être, and the characters gradually peel off into the separate and crudely distinguishable factions of exploiters and exploited. Carradine's performance and Wexler's photography both deserve better: and so does Woody Guthrie's own far from glibly moralistic life story.

★

The Prince and the Pauper is another costume picture from Ilya and Alexander Salkind, the producers who gave us *The Three* and *The Four Musketeers*, and who have been spending most of their money of late whetting our appetites for their forthcoming blockbuster *Superman*. Their motto as producers seems to be: money should not only be spent but be seen to be spent. So this two-hour adaptation of Mark Twain's famous children's story is sumptuously designed, sumptuously costumed and crammed with stars: Oliver Reed, Raquel Welch, Ernest Borgnine, Charlton Heston, George C. Scott, David Hemmings and Rex Harrison to name but a galaxy.

The problem is that in a film which has all the glamour and spurious fascination of a fancy dress ball—who will wear the most outrageous costume and play the most uncharacteristic role?—the humour and irony of the original story are elbowed out of the way by the march-past of glittering production values. Richard Fleischer's direction give the film more zest than its size and length deserve, but it still creaks with expense, and the show-off casting-against-type as often fails as succeeds. Reed, whose stock-in-trade is debonair thuggery, lends a heroic role a welcome touch of the sardonic. But Heston is a ponderously dull Henry VIII, and Borgnine is absurd as a bullying, tatterdemalion East End father—spending so much energy injecting some accuracy into his cockney accent that he has none left for a coherent or convincing performance.

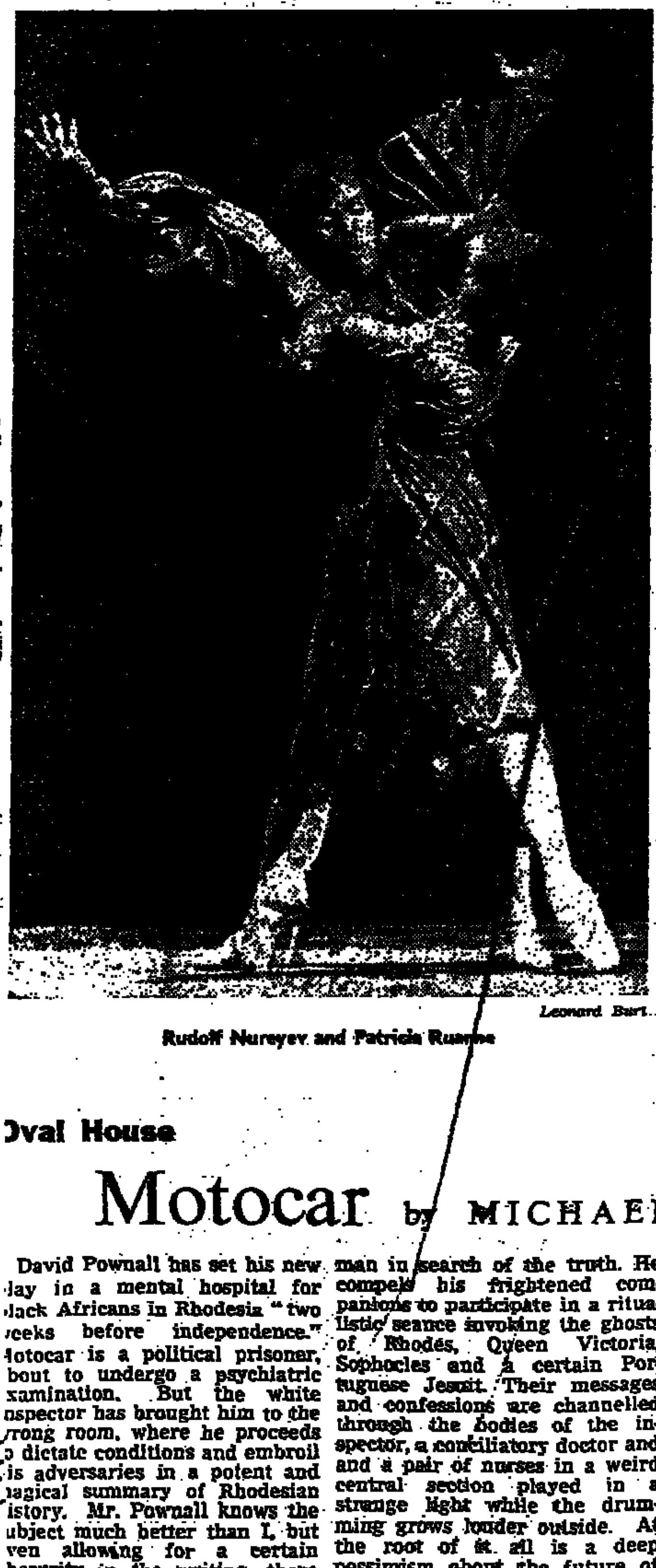
Worst sufferer is Mark Lester, who plays the dual title role. The dumpy-angelic star of *Oliver!* has grown up into a gangling youth of, I hazard, 18 years. His body, long-legged and stork-like, now suggests an aptitude for comedy, and the role invites it. But Lester plays it instead with a fulsome seriousness that smacks of school theatricals. Instead of taking wing, the mistaken identity plot lumbers archly to its denouement in a predictably over-dressed and over-expensive Coronation sequence in Westminster Abbey.

★

Echoes of a Summer is the story of an 11-year-old girl dying of a heart disease in the photogenic Nova Scotia home she shares with her mother (Lois Nettleton) and her father (Richard Harris). The girl is Jodie Foster, which means that pluck and precocity are the order of the day rather than pathos. And indeed in so relentlessly courageous and grown-up a manner does our heroine behave that the story, lifted bodily out of the realm of tear-jerker, plies instead a sort of elevated but no less cloying stoicism. Everyone grits his or her teeth as the doctors come and go, bringing news of fresh relapses, and the film's whimsical marginalia — the title song sung by a hoarsely sentimental Mr. Harris, the sad-comic antics of the lisping boy-next-door — seem oddly out of place in the context of so determinedly brave and businesslike an approach to death. It makes a change from the usual Hollywood formula, but not a very refreshing one.

★

Fire offers us Ernest Borgnine, Vera Miles, Ty Hardin, Lloyd Nolan, Neville Brand and other screen luminaries of yesteryear coping with the horror and havoc of a forest fire. Horror and havoc, though, at strictly reduced prices. The film looks as if it was made for television —with its cramped framings and insistent close-ups—and the slender budget manifests itself in an assembly line script, some flimsy settings and as impoverished a repertoire of special effects (including those familiarly grainy stock shots of scurrying animals) as the aging disaster genre has yet had the temerity to give us.



Rudolf Nureyev and Patricia Ruanne

Leonard Burt

Coliseum

Romeo and Juliet

The most striking thing about Rudolf Nureyev's version of *Romeo and Juliet*, given its first performance by London Festival Ballet last night, is the lack of depth to the two main characters: Neither Romeo, which Mr. Nureyev dances in rather blanched fashion, or Juliet, who is taken by Patricia Ruanne with considerable technical brio, seem anything more than convenient pegs upon which a sometimes clever, sometimes wilful production depends. Of what Sergey Radlov, the Russian librettist, called "the growth and development of a personality in the course of the entire spectacle," is little trace.

In place of characterisation, we are given an incessantly busy action which takes place against Ezio Frigerio's scrupulously careful evocations of Renaissance scenes, in costumes no less careful in cut. Visually the staging has felicities: it starts with a stunning *coup de théâtre* in which a death cart bears away the bodies of Capulet and Montague minions who are victims of the feuding that runs like a thread through the entire presentation. There is a kind of fragmented and frenetic energy that informs much of the supporting action: Mercutio (a role excellently taken by Nicholas Johnson) and Benvolio seem never still, and nor do the hordes of acrobats, servants, courtiers, friends and assorted walkers-on who feature largely in Nureyev's picture of Verona.

But this unquiet fevered style —which can pay real dividends in crowd work, or in the brilliantly satiric death scene for Mercutio, in which his friends believe that he is playing yet another trick on them—erodes any truth or emotional resonance that the great central fact of the tragedy may be supposed to have.

Not at any moment did I find myself moved by the lovers' plight. Mr. Nureyev has, at certain points, dissipated the dramatic energy of the story with vision scenes, allegorical figures, symbolic returns by Mercutio and Tybalt (a good portrait by Frederic Werner) as Juliet contemplates suicide. The directness and force of the MacMillan and Cranko productions come from their increasing concentration upon the hapless couple. In attempting a "different" staging — Mr. Nureyev has had to steer at times a difficult course away from the obvious, right, and already created — the choreography looks perverse, or cluttered.

A mixed blessing, then, which will need to be considered again. A first impression is of excessive length — the ballet ran for 3½ hours on opening night — and of a need to prune and reshape the action so that Romeo and Juliet do not seem obscured by their surroundings. From Festival Ballet's artists heart-whole and enthusiastic playing.

CLEMENT CRISP

Oval House

Motocar by MICHAEL COVENEY

David Pownall has set his new play in a mental hospital for black Africans in Rhodesia "two weeks before independence." Motocar is a political prisoner, about to undergo a psychiatric examination. But the white inspector has brought him to the wrong room, where he proceeds to dictate conditions and embroil his adversaries in a potent and magical summary of Rhodesian history. Mr. Pownall knows the subject much better than I, but even allowing for a certain obscurity in the writing, there is no denying the power and strength of the action we witness.

Motocar is an educated black man in search of the truth. He compels his frightened companions to participate in a ritualistic seance invoking the ghosts of Rhodes, Queen Victoria, Sophocles and a certain Portuguese Jesuit. Their messages and confessions are channelled through the bodies of the inspector, a conciliatory doctor and and a pair of nurses in a weird central section played in a strange light while the drumming grows louder outside. At the root of it all is a deep pessimism about the future of the country, as well as a deep regret about its past. This mood achieves a poignant climax as the company sing a beautifully harmonised arrangement of the native song, "God Save Africa."

The play suffers from a lack of real dramatic organisation, but the writing has a rare authority and frequently reverberates with beautiful images and rhythms. Motocar is a symbolic figure, but he is given a magnetic physical presence in the performance of Joe Marcell, and the adept little touring company, Paines Plough, prove that Mr. Pownall's *Music To Murder By* was no flash in the pan. Here is a fine new playwright with intelligence and wit equal to his finely attuned sense of compassion. The director is Edward Adams.

Proms 77

Announcing the programmes for this year's Promenade Concerts, Robert Ponsonby, Music Controller, pointed out that 1977 marks the 50th anniversary of the BBC's responsibility for the Proms. The 55 concerts run from July 22 to September 17. In celebration of the Queen's Silver Jubilee, the Proms will begin with three concerts of British Music. The second of these will include one of the Jubilee Year commissions, Edwin Roxburgh's *Montage*, played by the Royal Liverpool P.O. under Sir Charles Groves. The other commissions are Peter Maxwell Davies' chamber opera *The Martyrdom of Saint Magnus*, to be given by the Fires of London, conducted by the composer, in the Round House, and John Buller's *Proença*, a 40-minute work for mezzo-soprano, electric guitar and large orchestra, in which Mark Elder will conduct the BBC SO.

Contemporary masterworks, a series of four concerts offered for the price of three, consist of Henze's "The Raft of the 'Medusa,'" receiving its British première and sung in English; Tippett's opera *The Midsummer Marriage*, performed by the Welsh National Opera conducted by Richard Armstrong; Messiaen's Turangalila Symphony given by the BBC SO under Andrew Davis; and Berio's *Coro*, another U.K. première, conducted by the composer and performed by the Cologne Radio SO and Choir. Other visiting orchestras from abroad will include The Rotterdam Philharmonic, who give two concerts conducted by Edo de Waart, each of which will include a work by a Dutch composer: Diepenbrock's Entr'acte *Marsyas* and Tristan Keuris's *Sinfonia*. The London Percussion Ensemble will give the first U.K. performance of Sandor Balassa's Quartet for percussion, while the BBC SO will give the world première of Richard Rodney Bennett's "Actaeon for horn and orchestra," with Barry Tuckwell as soloist.

E.E.

Overground, Kingston

Nothing Truer than Truth

Whether or not there is anything in the claim considered by T. Looney and P. Allen that Shakespeare's works were written by Edward de Vere, 17th Earl of Oxford, it makes a jolly foundation for a theatrical caprice of the kind Darrol Blake has written and directed for the pretty little Overground Theatre Ashdown Road, Kingston-on-Thames.

This is not to say that *Nothing Truer than Truth* (a translation of de Vere's motto) is either a very good play or a convincing warrant for the theory. It consists of a biographical study of the Earl, into which, wherever Mr. Blake has felt a connection with Shakespeare, he has introduced a passage from one of the plays to emphasise it.

For example, the youthful Oxford once robbed some government tax collectors as a jape, and Mr. Blake has turned this into the Gadshill adventure from *Henry IV, Part I*, following it with Hal's "I know you all" speech. When Oxford has become a ward of Queen Elizabeth and continues unruly, Burghley gives here Polonius's "Your noble ward is mad" bit from *Hamlet*. There is a reflection of Othello in Oxford's jealousy over his wife, opening the way for "Who steals my purse steals trash." Oxford's wound in a sword-fight is presented as if from *Romeo and Juliet*, though he switches character from Romeo to Mercutio. There are references to *The Tempest*, *All's Well that Ends Well*, *The Winter's Tale*, and other plays, all jig-sawed into Oxford's life.

Oxford did indeed write poems and plays, though no plays have survived—not under his name, anyway. He ran two companies of players, Lord Oxford's Men at Newington Butts and Oxford's Boys, combined with the Children of the Chapel Royal, at Blackfriars. It was the latter company that was associated with John Lyly, whom Mr. Blake includes as manager and resident playwright.

But Shakespeare never played with Oxford's men as far as I know, and the suggestion that he was a bumpkin, only fit for little parts, hardly fits in with what we know of him.

Well, I don't suppose Mr. Blake is going in for serious bardology in his play. His production is very pretty to look at in its Elizabethan costumes, played on a little round open stage patterned like a chessboard, and it is fun picking up the Shakespearean allusions. Oxford himself is pleasantly if not very dashingly played by Damien Thomas and there is a striking portrait of a toughly handsome Elizabeth by Anne Jameson.

B. A. YOUNG

EUROPEAN NEWS

France to revise growth forecasts

By David Curry

PARIS, June 2.

THE FRENCH Government is revising its expectations for the country's economic performance this year in line with changing world conditions, and the progress of its austerity programme introduced last September.

The picture to emerge shows virtual stagnation in economic growth coupled with deteriorating employment. On the credit side, the most notable gain is expected to be the return to balance in foreign trade in the course of the summer.

The forecasts, being formulated by National Account Commission, see economic growth (GDP) rising by 3.5 per cent. in 1977 against last September's expectation of a 4.8 per cent. improvement. This is much closer to the OECD forecast made in March of a 3 per cent. 1977 growth. In 1976 economic activity grew by 5.2 per cent. thanks largely to the reflation measures of the autumn of 1975 which the present Prime Minister M. Raymond Barre, not then even in the Cabinet, regards as having been illjudged.

The scaling down of growth expectations is partly due to the weak investment trend in private industry. This stems from the persistent difficult world economic conditions and the political uncertainties in France, focussing on next March's general election which could bring the Socialists and Communists to power.

Private sector investment is expected to grow by only 1.4 per cent. against the 3.1 per cent. originally thought possible; public sector spending is schedule dto rise by 3 per cent. but household investment is thought likely to fall back by 2 per cent. Taken together, these elements translate into a 0.7 per cent. investment expansion.

However the Government is no doubt counting on a continuing trend away from savings and into consumption, (although 16.6 per cent. of disposable income will be saved this year, it is thought) and on the steady growth in consumption over the past 10 years.

In addition, it is relying on the overall 16.6 per cent. increase in family allowances over the year to show through in consumption and compensate for price inflation, which it expects to be around 8.5 per cent. in 1977.

Tindemans quits in coalition crisis moves

BY DAVID BUCHAN

BRUSSELS, June 2.

BELGIUM continued to-night without a proper government, as the caretaker Prime Minister, Mr. Leo Tindemans, offered his resignation to King Baudouin, after an extraordinary last-minute hitch in which four Ministers from one party refused to attend the Cabinet swearing-in ceremony at the Palace.

The King asked for time to consider the resignation, and it is thought he will try to persuade the recalcitrant Ministers, who are from the PSC, the French-speaking sister party of Mr. Tindemans' own Flemish Social Christians, to change their minds.

The shock resignation offer came less than two hours after Mr. Tindemans had announced a division of the 23 Cabinet posts, a task that has taken him all this week to negotiate. But leaders of the PSC apparently decided to-night that even with the national portfolios of Defence, Agriculture, Social Security and Education, they had not won enough jobs concerned with regional devolution.

This last is the overriding issue in Belgian politics. Since his April 17 general election victory, Mr. Tindemans has spent some six weeks getting agreement between the Flemish and French-speaking Social Christians, the Socialists, the Flemish Nationalist Party (the Volksunie), and the Brussels French-speaking party (the FDF), not only on a coalition programme but also on a devolution plan to create a federated Belgium of three regionns and two linguistic communities.

This far-reaching plan was agreed last week; but is jeopardised by to-night's last-minute show of stubbornness by the PSC, which left the King and the other would-be Ministers drumming their fingers at the Palace for nearl yan hour.

Mr. Tindemans has several reasons to be impatient now with any further delays in forming a proper Government. Foremost is the fact that at the end of the month Belgium succeeds Britain as president of the EEC Council of Ministers.

Time now presses if Belgium is to make adequate preparations to fill this role. Mr. Tindemans, a man of considerable European experience, appeared to recognise this when earlier to-day he announced that M. Henri Simonet, from the Socialist Party, would be the next Foreign Minister. M. Simonet, a member of the EEC Commission until last December, is reckoned to be well-suited to tackle the responsibilities of the Belgian presidency of the EEC.

The proposed coalition would still have a parliamentary majority in the 212-seat Lower House, even without the PSC. But without the support of the PSC, Mr. Tindemans' party loses to the Socialists its *de facto* position as the largest political grouping. Thus, if the PSC persist, it may be the Socialists who form the next Government—even though it was Mr. Tindemans who emerged the real

Mr. Leo Tindemans

victor in the election, clocking up a record number of 136,000 personal preference votes.

● The outgoing Dutch Premier, Mr. Joop Den Uyl, said to-day he woul dstart trying to form a new Government on Monday after he has been appointed "formateur" by Queen Juliana, writes Michael van Os in The Hague.

He has given himself five to six weeks in which to complete what he called a "damned difficult job," with a 50 per cent. chance of success.

Mr. Den Uyl, the likely new Dutch Premier after his PVDA (Labour) Party's big victory in the general election of May 25, will aim to put together a renewed coalition between his party, the Christian-Democrat Appeal (CDA) and the small Democrats '66. The previous third partner in the Government, the small radical PPR Party is unlikely to participate again

Rivalry threatens joint European air project

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PARIS, June 2.

BRITISH AEROSPACE, the nationalised aircraft industry organisation, is hoping that its discussions with the French and West German industries on collaboration on the proposed new U.K. X-11 airliner will lead to a manufacturers' agreement for submission to the three Governments by mid-summer.

The subsequent programme envisages winning orders from the world's airlines for up to 50 aircraft to enable manufacturing to start around the end of this year, with deliveries to the airlines beginning in 1981.

These details of the U.K.'s plan for the X-11 emerged on the opening day of the international airshow here at which British Aerospace launched a determined effort to lead the rest of the European aerospace industry in the development of this twin-engined short-to-medium range airliner programme.

The British say their aeroplane is the more logical, because it is a derivative of the existing 1-11 while the French aircraft is a totally new design.

The British suggest the X-11 will cost about £150m. while the French A-200 will cost more than twice that sum. The French deny this, and claim equally strongly that airline responses to their own sales efforts have been just as good as those experienced by the British.

These differences of view and variations in design approach, will have to be resolved over the next few weeks, if anything approaching a common European venture is to emerge.

Earlier this week Lord Beswick, chairman of British Aerospace, revealed that the U.K. had made collaborative proposals on the X-11 to the French and West German aircraft industries.

Spokesmen for British Aerospace stressed here to-day that the programme was already gathering considerable momentum, and the response of airlines to the sales programme already underway in Europe, the U.S., Australasia and Japan, had been favourable.

The big problem facing the British X-11 plans, however, is the proposal for a comparable aircraft being put forward equally enthusiastically by the French nationalised aircraft manufacturer, Aerospatiale, for what it calls the "A-200 family" of jets.

Both the British and French proposals cover a series of aircraft, broadly aimed at the market for jets seating between 130 and 180 passengers and capable of flying distances of up to about 2,000 nautical miles.

Nobody doubts the size of the market, which is estimated at more than 1,000 aircraft world-wide by 1990.

The question that must be resolved over the next few weeks however is how far the British and French industries and more significantly their governments, are prepared to adapt their competing proposals, and merge them into a common project on which both can work.

● Britain's Westland Helicopters has entered an agreement with the West German-Dutch VFW-Fokker company to study and design a specialised anti-tank helicopter, called the P-277. A memorandum of understanding was signed at the Paris Air Show to-day.

The new helicopter is intended to operate at night in all weather

Two Press men shot in Italy

By Paul Betts

ROME, June 2.

SIG. INDRO Montanelli, the controversial and distinguished Italian journalist, was shot and wounded by urban guerillas in the centre of Milan this morning on his way to work, while another Italian journalist, Sig. Vittorio Bruno, was gunned down by terrorists in Genoa last night.

In Florence to-day the cars of two Italian journalists were also bombed.

These episodes effectively add a new element in the current revival of the so-called strategy of tension afflicting Italy. It is the first time that journalists have become the target for urban guerillas of unclear political denomination.

The Left-wing extremist Red Brigades to-day claimed responsibility for the shooting and wounding of Sig. Bruno, the deputy editor of the Genoa daily Secolo XIX. Although labelled independent, the newspaper generally represents the Left wing of the ruling Christian Democrat Party. The Red Brigades also said they were responsible for the Florence bombings.

So far no one has claimed responsibility for the shooting of Sig. Montanelli, the founder and editor of the new Milan daily Il Giornale Nuovo and a former columnist of the authoritative Corriere della Sera. Sig. Montanelli, a liberal, is known for his trenchant anti-Communist views.

Demirel warns rival of assassination plot

BY OUR OWN CORRESPONDENT

ANKARA, June 2.

IN A dramatic pre-election development to-day Mr. Suleyman Demirel, the Turkish Prime Minister, has written to his chief rival, Mr. Bulent Ecevit, saying he had information of a plot to assassinate the Opposition leader in Istanbul to-morrow where he is scheduled to address his Republican Peoples Party's final election rally.

Copies of the letter, the contents of which were disclosed by Mr. Ecevit, have been sent to the Turkish President, the chief of the armed forces, and to the Turkish secret service.

The letter claims that Turkish Communists supported by international terrorists are behind the plot to be mounted from the Sheraton Hotel which has a commanding view overlooking Istanbul's Taxsim Square, the venue for all big political rallies in the city.

The Premier's letter said the people behind the attempt were part of the same group responsible for the May Day massacre in Istanbul when 34 people died, and also for an attempt on Mr. Ecevit's life last week in the southern city of Izmir.

The immediate reaction of Mr. Ecevit and of his closest advisers was one of scepticism coupled with suspicions of a strong whiff of rather desperate last minute electioneering on the part of Mr. Demirel.

The Opposition leader, who is generally favoured to come out ahead in Sunday's general election, said he intended to go ahead with the rally and would be accompanied by his wife. He arranged personally to take over a period of radio time already allocated to his party for a political broadcast to-night and was scheduled to raise some doubts about the accuracy of the Prime Minister's letter.

In a script due for delivery, he asked how it was that Mr. Demirel had information which was not known to the President, the army or the secret service, adding that the Prime Minister anyway had a clear duty to take whatever security measures were necessary to protect him if Mr. Demirel thought in fact that such an assassination plot was to be mounted.

A search for illegally held arms is being made throughout the city and, it is understood, the police will ensure that all offices and rooms overlooking Taxsim Square, including the entire front portion of the new Intercontinental Hotel, will be sealed off to-morrow, or else will be occupied solely by police marksmen. Similar precautions are planned for Ankara where the Prime Minister will be speaking.

Seeking an end to the blood-letting

BY DOMINICK J. COYLE IN ANKARA

THE MAN smearing blood on the outside of the special election bus carrying the Turkish Opposition leader, Mr. Bulent Ecevit, was simply following local custom. It was his gesture of good will, but also to ward off any evil which might befall the man who will be greatly disappointed if he is not the new Prime Minister after Sunday's general election.

Cows and sheep are often "sacrificed" in small towns and villages whenever the main political leaders pass through on the campaign trail. It is a curious gesture, perhaps, in a country whose founder Mustafa Kemel Ataturk, sought to drive Turkey away from its past, from veiled women and its Islamic religion and towards Europe.

The constitution still insists that no party can exploit religion for political ends, yet Mr. Necmettin Erbakan's National Salvationist Party is campaigning on an explicitly Islamic ticket. He is one of three deputy Prime Ministers, and he is also a principal reason why the election is being held four months prematurely.

His grandiose plans to make Turkey "the world's Number one industrial nation by the year 2000" has created havoc within the four-Party ruling coalition of Prime Minister Suleyman Demirel, and has brought the economy virtually to its knees.

Mr. Erbakan is unrepentant. His party held the balance of power in the short-lived 1974 coalition. When Ecevit resigned following the Cyprus invasion—but not because of it—he brought his parliamentary forces to the other side of the House and to his old school mate, Mr. Demirel. The latter finally managed to put together a shaky coalition which has survived, but has not in any real sense ruled.

The Cabinet, said one dejected JP member of it, has been "nothing but a lice-infested bed" and it could not last. It has not, but only partly because of Mr. Erbakan and his peculiar brand of religious fanaticism, coupled with an economic policy which put the principal emphasis on economic self-sufficiency and on highly capital intensive industries in a country with precious little foreign exchange reserves, limited national resources, but with a vast horde of angry unemployed.

But Mr. Erbakan has been only part of the problem. The real reason for the early election is the violence in the streets, and particularly in the universities. It has been politically motivated, much of it coming from the neo-Fascists from the tiny Nationalist Movement Party led by the former army colonel, Mr. Alpaslan Turkes, whose growing band of mainly student followers roam the streets armed. Mr. Turkes, too, is a deputy Prime Minister in a Government which really is an unholy alliance.

The Demirel Government just could not carry on. More than 200 people have been killed on the streets and university campuses in the past year. More than 70 of them each died from a single bullet. It has simply been killing for political effect, as the Right attacked the so-called Communist Left, which in its turn retaliated. It has been nothing short of anarchy on the streets of Turkey's main cities and towns and chaos within the Cabinet room.

Mr. Ecevit is promising firm one-party rule, an end to violence on the streets, a relatively modern Social Democratic type of monetary and fiscal management, "and a place of respectability for Turkey in the modern world." To his supporters, whose passions and anticipations have now reached such a point that a failure of their hero to win an outright victory is sure to lead to allegations of electoral fraud, Mr. Ecevit is a kind of national cleansing fluid, the poet-politician with the charisma to convince people that his case is just, and that their cause is safe in his hands.

To the Prime Minister's Justice Party the Opposition leader is a Communist. It is, a ridiculous charge, just as is Mr. Ecevit's response that the Prime Minister is a Fascist, but Mr. Demirel has shown recently a willingness to accept neo-Fascist support if it is the price to be paid for remaining in office, and Mr. Ecevit's RPP does have its extremist fringes.

In the short hand of political reporting, this election is in essence a Left—Right confrontation. There are, of course, many people towards the middle ground in each of the two big parties, and certainly within the ranks of their supporters, but the fringes are extremist. One side seeing communists under most beds, the other with a fair element committed to Mr. Ecevit and the RPP since they see this as the best method of breaking the conservative status quo.

Mr. Demirel and the JP are in the best old-world Tammany Hall tradition: the ward politicians who reward their own and operate more on short-term "feel" than on a realistic political and economic programme. Mr. Ecevit, too, is a man with a considerable and sensitive political "touch" for what is electorally advantageous.

But he is not only that. As the sheep farmers and the peasants out in the plains of Anatolia sacrifice their scarce flock for the great men from Ankara passing through, the Ecevit Party headquarters in the capital is at work with a computer feeding in socio-economic data and details of past voting trends in each of the country's 76 provinces.

The computer, at least, has come up with an answer to the election—Mr. Ecevit will come very close to the magic 226 seats in the National Assembly, or enough to command an overall majority. He could even do better, according to party officials' interpretation of the computer's findings.

Mr. Demirel's "feel" says something a great deal different. Or so at least he is telling the electorate. Turks are a conservative people, says the Prime Minister, who want no truck with Socialism and still less with Communism. He has the mantle of the old charismatic Democratic Party leader Adnan Menderes.

The Turkish military put an end to his reign of curious paternalism and political double-dealing, and also to his life when he was hanged in 1961. But in the Anatolian villages his legend lives on, even if in faraway Ankara the military and the judges did rule that he had gone totally against Ataturk's principles and had appropriated vast sums of money among a host of other charges.

Mr. Ecevit, meanwhile, insists that he and his party are the true followers, that they carry the flame first set alight by Ataturk, although its brightness has surely dulled in the years since he died in 1938.

The army waits and watches, reluctant to move again directly into the political arena, but still in a fundamental sense the real "political" force here, if only because the soldiers have taken it upon themselves to ensure the legacy of Ataturk's secularism.

Against a background of electoral violence, the army has committed itself publicly to ensure that the streets and the polling stations are free of attack or even indirect intimidation on Sunday.

If a clear Government does emerge, the Army will stay in barracks; if not, its private pressures will certainly be on the politicians. But principally on Mr. Ecevit and Mr. Demirel, to bury their personal hatchets and come together in a grand coalition. This is unlikely, but it is the only realistic alternative now apparent to an Ecevit victory—whether overall, or sufficiently close at least to make one-party Government possible.

But that wily old politician Mr. Demirel has sprung a few surprises before, he has also managed a considerable feat in Turkey, and that was to return again as Prime Minister having been turned out of office by the Army.

First vote for one in seven

THE TURKISH electorate of some 21m. people (one in seven will be voting for the first time) goes to the polls on Sunday. Mr. Suleyman Demirel, the Prime Minister, called a general election four months ahead of schedule owing to irreconcilable differences within his four-party coalition, and against a background of growing violence on the streets and in the universities, Dominick J. Coyle writes from Ankara.

At issue is a clash between the two big parties: Mr. Demirel's conservative and pro-private enterprise Justice Party, and the generally social democrat Republican People's Party (RPP) of the opposition leader and former Premier, Mr. Bulent Ecevit.

All signs point to a clear lead for Mr. Ecevit, the man who as Prime Minister in 1974, authorised the Turkish invasion of Cyprus. The big remaining question is whether the RPP will gain sufficient seats for an overall majority.

Mr. Necmettin Erbakan's National Salvation Party (NSP) is strongly nationalist—opposed to the EEC but not apparently to NATO of which Turkey is a member—and staunchly pro-Islamic.

Mr. Alpaslan Turkes leads the small neo-fascist Nationalist Movement Party which is widely expected to make gains. His followers are blamed for much of the violence over the last two years. Mr. Turkes, like Mr. Erbakan and Mr. Turhan Feyzioglu, the leader of the small Republican Reliance Party—a breakaway from the RPP—are all Deputy Prime Ministers.

The state of the three main parties at the dissolution of the 450-member National Assembly was: RPP 189, Justice 170, NSP 49.

EEC regional development plans

BY ROBIN REEVES

BRUSSELS, June 2.

THE EUROPEAN Commission unveiled plans to-day for developing the next phase of the EEC's regional policy.

The centrepiece of the policy is the Regional Development Fund, for which 750m. units of account (£492m.) has been proposed in the Community's 1978 draft budget compared with 400m. u.a. (£263m.) this year.

However, the Commission is anxious to increase the impact on the regions through other means and, to this end, is proposing:

1—A monitoring system to review, on a regular basis the situation in all the regions and define where EEC action is required.

2—Regular assessment of the regional consequences of other Community policies and actions.

3—Studies towards the co-ordinating of disincentives to investment in developed regions.

4—An increased contribution to regional development through the co-ordinated use of all EEC financial instruments, including the loan facilities.

The Commission recognises that world economic troubles have aggravated the old problems and created new problems in the traditionally poorer regions and that the persistence of major regional imbalances is a major obstacle to the convergence of national economic policies. In the present climate the creation of new jobs in the regions suffering from the greatest structural unemployment must remain a major priority, it says.

The Commission is proposing that national quotas, set when the regional fund was established in 1975, be kept unchanged at least next year.

This means the U.K. has a 28 per cent. share, Italy 40, France 15, West Germany 6.4, Ireland 6, the Netherlands 1.7, Belgium 1.5, Denmark 1.3 and Luxembourg 0.1.

The fund is generally available for grants of up to 20 per cent. of the cost of suitable industrial projects and up to 30 per cent. of infrastructure projects; though the Commission is now proposing to push the rate of grant of the latter up to 50 per cent.

That said, 100m. U.A. (£66m.) of the 1978 fund will be earmarked to finance specific Community actions outside the quota system, each proposed action being subject to the blessing of the Council of Ministers.

One proposal the Commission has in mind under this heading is the introduction of a system of interest rebates of 5 percentage points on loans from the European Coal and Steel Community, the European Investment Bank or new Community loan facilities.

The Commission is also examining the case for establishing a system of taking shares in risk capital of companies via existing national regional bodies.

Greece plans for 6-7% annual growth

By Our Own Correspondent

ATHENS, June 2.

THE GREEK five-year economic development plan for 1976-80 envisages an annual growth rate of 6-7 per cent. This would be about 2 per cent. higher than the average rate forecast for EEC countries, and would help Greece bridge the gap between it and the Community, with which Greece is now negotiating to become the tenth full member.

The plan aims at gradually bringing back Greek labour now abroad by creating about 210,000 new jobs in non-agricultural sectors. Half of these jobs will be in industry.

The current account deficit is expected to be at the same level in 1980 as it was in 1976—just over $1bn. Net borrowing from abroad in 1976-80 is estimated at $2.4bn.

AMERICAN NEWS

Market forces may cut prime rates—Blumenthal

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, June 2.

MR. MICHAEL Blumenthal, the Treasury Secretary, to-day suggested that money market conditions might force the nation's major commercial banks to lower their prime interest rates.

In a news conference here this morning, Mr. Blumenthal took a distinctly more neutral and softer position than that recently espoused by Mr. Bert Lance, the Budget Director. Both last week and again yesterday, Mr. Lance said that the latest round of prime rate increase was "unjustified." Yesterday he also laid the blame for last Friday's rise at the door of the Federal Reserve and its chairman, Dr. Arthur Burns.

"I'd be satisfied to let the market take care of it and see what happens," Mr. Blumenthal said this morning. He said that he would prefer to see prime rates lower than they were now, but contended that it was more important to look at long term rates, which had moved up only marginally.

Moreover he declined to criticise the Fed's recent tightening of the money supply. Noting that he had no authority over monetary policy, he said that he consulted Dr. Burns regularly. He added that he had been involved in no discussion inside the Administration as to whether the President would nominate Dr. Burns to another term at the Fed next year.

Indeed, though Mr. Lance cited recent Fed money market policy as being behind the prime rate increases, he was careful not to question the wisdom of tightening the money supply after the sharp growth, particularly in April.

But Mr. Lance did argue that the conditions justifying higher interest rates from a banking point of view did not exist. He contended that loan demand barely existed, while the banks were flush with cash. The Fed, for its part, has said that there has been an appreciable pick-up in demand this year.

It is almost certainly premature—and quite possibly entirely erroneous—to suggest that Dr. Burns and the Administration are about to indulge in a "confrontation." That had seemed on the cards before last November's election but President Carter's financial conservatism has been praised by the conservative chairman, who in turn has found a notable place in the Administration's counsels.

On other matters, Mr. Blumenthal did say this morning that he still did not know how much Saudi Arabia was willing to contribute to the Witteveen facility inside the International Monetary Fund (IMF). Recent reports have put the Saudi pledge at only 2.5bn. special drawing rights (about $2.9bn.), well below the 4-6bn. SDRs sought from the Government in Riyadh.

But Mr. Blumenthal appeared to squelch another rumour, which emanated from last week's banking conference in Tokyo, when he said that the U.S. did not anticipate commercial banks assisting in the funding of the Witteveen facility.

He said that the IMF's immediate tasks consisted of putting together the new facility and agreeing, by next February, on a seventh quota increase. In the meanwhile, he suggested, the IMF should explore ways of involving national governments, commercial banks and international agencies in the global economic policies, but completio of such a task, he said, was "some time down the road."

Energy-linked loan plan

BY JOHN WYLES NEW YORK, June 2.

A NOVEL scheme to boost loan demand and to capitalise on the Carter administration's calls for energy saving has been introduced by Chemical Bank in New York.

Until the end of October the bank is offering varying amounts of cash bonuses to customers who take out car loans. The actual sum of money handed over depends on the fuel consumption of the car being purchased.

A loan on a car returning 20-24 miles to the gallon brings a cash windfall of $50. Twenty-five to 29 miles to the gallon brings $100 and more than 30 miles brings $150.

Foreign cars are included in the scheme but the minimum loan has to be $2,500. Not surprisingly, Chemical Bank is encouraging the view that it has not only developed a smart business idea but that it is also displaying a commendable social responsibility. The Bank's television advertising of the loan scheme lays solemn stress on the words "conserving energy is our responsibility too."

U.S. concern over Soviet dissident

By Our Own Correspondent

WASHINGTON, June 2.

PRESIDENT CARTER is disturbed about the detention of Mr. Anatoly Shcharansky because it appears to be part of a deliberate campaign directed against dissidents who support the 1975 Helsinki Agreement on human rights.

Mr. Jody Powell, the President's Press Secretary, told reporters to-day that Mr. Carter understands that the Soviet dissident, who now faces treason charges, is part of that group and that the Administration would be watching the situation closely. The issue would also be discussed at the forthcoming Belgrade conference on the implementation of the Helsinki agreement.

Earlier, the State Department said that Mr. Cyrus Vance, the Secretary of State, has already personally raised the man's case with a very senior Soviet official but declined to say if this was Mr. Andrei Gromyko, the Soviet Foreign Minister. Mr. Vance last saw him in Geneva two weeks ago.

The Shcharansky case comes at a difficult time for the Carter Administration, which has been softening its comments about alleged Soviet violations of human rights in the past two or three months. The somewhat muted tone of American comment followed suggestions that too much criticism of Soviet treatment of dissidents might be harming relations between the two countries and, in particular, the strategic arms limitation talks (SALT).

Carter may use warheads as SALT bargaining tool

BY DAVID BELL WASHINGTON, June 2.

THE CARTER Administration may be prepared to use the installation of new, and much more acurate missile warheads as a bargaining counter with the Soviet Union in the current strategic arms talks.

This appeared to be the message that emerged from a somewhat confusing Press briefing yesterday afternoon by Mr. Jody Powell, President Carter's Press Secretary. Mr. Powell said the decision to go ahead with the installation of the new 12A warhead, now planned for 1979, was not intended either as a threat to the Soviet Union or or an attempt to steal a technological march.

The re-fitting of the Minuteman long-range missiles with the new warhead has been planned for a long time, he said, and in February the President had simply authorised the continuation. "We do not feel it is reasonable to expect this country unilaterally to forgo all technological improvements in the absence of similar restraint from the Soviet Union," he said.

He said, the Administration might be prepared to forgo the re-fitting of the missiles—which would greatly improve their ability to knock out Soviet missiles in their silos — as part of an overall agreement at the strategic arms talks. "There is a possibility that if the Soviets want to negotiate seriously we can make changes in our plan," he said.

Mr. Powell said that in the current talks the Americans have made a proposal about qualitative proposals such as the 12A improvement scheme but it has not yet been discussed in any detail. "The longer we wait to move forward (on arms limitations) the more we and the Soviets and the world are going to be faced with situations like this," he said.

Yesterday's discussion of the 12A programme followed an article in the New York Times in which opponents of it argued that it represented an American attempt to gain a unilateral advantage that might adversely affect the SALT talks. The new 12a warhead, after five years of development work, would have about twice the explosive power of the warheads now on top of the Minuteman missiles and would also have a very much more accurate guidance system.

Lobbyists under attack

BY OUR OWN CORRESPONDENT WASHINGTON, June 2.

PRESIDENT CARTER has delivered a strong attack on "the lobbyists who have come out of the woodwork" to try to persuade Congress not to approve his proposal for a new agency that would have broad powers to protect the interests of consumers.

The proposed agency is under fire on Capitol Hill, and the Bill that would establish it is running into serious troubles. During last year's election campaign the Present repeatedly referred to the need for an independent agency to protect consumers, an issue that is dear to his heart.

He made this abundantly clear yesterday when he accused the nation's business community of forming selfish "special interest groups" to spread "misinformation" about the function of the proposed agency. "The lobbyists have come out of the woodwork and the Congress is under intense pressure," he said.

Summoning all the scorn that he feels for lobbyists, the President said: "I think the action of those who oppose this legislation is ill advised . . . unfortunately when business leaders organise and hire a staff and hire lobbyists they lose that individual commitment to their customers, and the lobbyists only commitment is to their employers."

Industry argues that the agency would merely create another layer of bureaucracy with which it would have to deal and would make no difference to the average consumer. Previous bills that would have set up a consumer agency have also been fiercely opposed, and President Ford always said that be would never sign them.

Yesterday, referring to industry's argument, the President said that the agency would be "a tiny agency just to be a focal point for equity and fairness." In the first year its $15m. budget would be about equal to what the Department of Health, Education and Welfare spends in an hour.

Barbados tax haven plan

The Barbados Government intends to establish tax haven facilities for offshore banking and financial institutions, Mr. Henry Forde, the Minister of External Affairs, has said, writes Tony Crozier in Bridgetown. Speaking at a seminar on tax havens, Mr. Forde said that the island nation's political, social and economic stability should make it especially attractive as a haven for offshore funds. In addition, there was already an excellent base on which to build since there is a relatively sophisticated complex of banking facilities in existence, including eight of the world's largest commercial banks as well as the Caribbean's Development Bank.

Quebec credit rating

After a three-month study embracing talks with business and political leaders in Canada, Standard and Poors, one of the two leading U.S. credit rating agencies, announced yesterday that it intended to retain its double-A bond rating for the Province of Quebec, writes Stewart Fleming in New York. Although on the face of it a technical decision the S and P review of the province's credit rating will have a favourable impact on both its ability to raise finance in the U.S. and the cost of funds, especially since the S and P rating remains in line with that of Moodys, the other main credit assessment agency.

Cubans for Ethiopia

President Fidel Castro plans to send another 300 Cubans to Ethiopia soon but this number will not include any military advisers, Congressman Ron Dellums, who has just returned from Havana, said yesterday, Our Washington Staff write. Mr. Dellums said most of the 311 Cubans to be sent to Ethiopia would be doctors and medical technicians.

EGIONAL SEPARATISM

Picking up the pre-war threads

BY ROGER MATTHEWS IN MADRID

E VICTORS of the Spanish il War believed that one of main justifications for the tricidal struggle was the need prevent a break-up of the intry's essential unity. Their and hatred of regional onomy was demonstrated by savagery with which every rt was made to remove or locate what the central ernment considered to be paratist" tendencies. This lied almost as much to the tural and linguistic life of tain provinces as it did to ely political activity. With in's first general elections 41 years at hand, the issue regional autonomy is again vital importance, and is one t will help to shape the new litical direction of the nation.

efore the Civil War both the que provinces and Catalonia oyed a high degree of onomy and had their own cted parliaments. Galicia uld have had similar rights for the outbreak of fighting, other regions were considering their own claims. These e main regions, or nations, s as some people prefer to them, will on June 15 send deputies to the lower house Parliament in Madrid of a onal total of 350, and 48 ators of 207 to be elected to upper house.

any will be people whose political objective is return of pre-civil war onomous rights, and their udes will tend to slice across y boundaries even though will also be acutely aware be more traditional ideological battle. Inevitably the ues will make a great deal he running because of the ht of Basque popular ion.

w, if any, of the candidates ted on June 15 will term mselves "separatists," and degree of popular backing in provinces for a total divorce Madrid is only really significant as a reaction to the recent viour of the security forces. is difficult to believe that Juan Carlos and his Prime ster, Sr. Adolfo Suarez, understand what it means launch their para-military rdia Civil and riot police nst what have initially been eful demonstrations. But at they should be able to see results. Several times in the three years the provinces been gripped by almost plete general strikes and in December referendum on the rnment's proposals for political reform more than half population of Guipuzcoa ained and 49 per cent. of voters in Vizcaya.

e danger is that in the ral elections the abstention will again be significantly e the national average, eby leaving an important highly politicised section of public believing that they free to continue acting outthe newly established contional channels.

Catalonia, whose capital celona will send the largest le number of deputies to the r house, the absence of a equivalent of ETA has ved a more moderate oach with signs of a greater ngness to co-operate at least the initial stages with the ral Government. Yet it ld be wrong to underestithe desire for autonomy will undoubtedly become e acute as the Government rced into taking unpopular omic measures. Many Cata- leaders tend to political ervatism, but will not be able to give their support to the Government on economic issues unless there are significant advances towards autonomy, which will help them to secure their home base. Voting in Catalonia on June 15 will probably not reveal in the same way as the Basque provinces the real strength of local sentiment, but if people such as Sr. Jordi Pujol, who heads the Democratic Pact for Catalonia, emerge at the top of the poll, then progress towards autonomy will have to be made in the new Parliament.

Whereas the Basque country and Catalonia contribute between them more than 40 per cent. of Spain's industrial product and thus have a very specific non-political importance, Galicia in the north west is relatively poor. During the Franco era it was one of the most neglected regions. It suffers from lack of infrastructure, bad communications, a persistent emigration of labour, and the consequent inability to attract new industry and thereby enjoy the fruits of the huge economic growth of Spain during the 1960s and early 1970s. The level of political awareness outside the few industrial cities is relatively low, and the fact that in the referendum only one of the four provinces returned an abstention rate of less than 30 per cent. is probably as much due to this fact as to any opposition to the central Government.

Progressing from right to left across the political spectrum the parties move from promising to respect the differences to outright pledges of autonomy. Whereas the Popular Alliance, led by former Franco ministers, is in essence totally opposed to autonomous rights for the regions, the Spanish Socialist Workers' Party, which is likely to gain at least 20 per cent. of the vote, is very much in favour. The Communists have their own "autonomous" parties in Catalonia, the Basque provinces and Galicia.

Sr. Suarez's own alliance, the Union of the Democratic Centre, is cautious in its statements. But if it emerges as the single largest group in the Parliament it may have to look for help from its Right-wing opponents on this particular issue. The Premier has already been rather shaken by the hostility of the military to the legalisation of the Communists and is well aware that the "essential unity of Spain" is a similar issue for many senior generals.

Furthermore, the election campaign is providing a stream of promises and lifting the aspirations of the people in a way not seen for four decades. Therefore, the inevitable frustrations, when they come, will be all the more disillusioning and could provoke a bitterness that cannot be dealt with by the Government in the traditional manner of the Franco years.

Sr. Suarez has demonstrated a remarkable pragmatism during his brief and notable period as head of Government, but he will need extra qualities to continue leading a cabinet that will theoretically be answerable to Parliament and the nation.

KING JUAN CARLOS of Spain is understood to have almost completed the list of 41 senators who he is permitted to name for the upper house of Parliament, writes Roger Matthews. The other 207 senators are to be chosen by the electorate at the same time as they vote for the 350 deputies of the lower house on June 15.

OVERSEAS NEWS

Palestinians in Lebanon battle near Israeli border

BEIRUT, June 2.

RIGHT-WING Lebanese forces and Palestinian commandos pounded each other with heavy artillery near the Israeli border to-day, local residents reported.

Tension has mounted along the frontier since the victory of the right-wing Likud bloc in the Israeli elections last month, and a declaration by the Lebanese Right that the Palestinian presence here is illegal.

One civilian was killed in the village of Ibl al-Saqi, a front-line position of the Palestinian and Left-wing Lebanese forces, residents said. Farmlands were set ablaze by the shelling. The residents reported that Israeli guns joined the barrage between hostile villages, bombarding Palestinian and left-wing positions.

Meanwhile, the political leaders of opposing Lebanese factions conferred with Syrian and Iraqi leaders.

In Damascus, Mr. Camille Chamoun, leader of the Right-wing Lebanese Front, talked with Syrian Foreign Minister Abdel-Halim Khaddam.

Mr. Walid Jumblatt, head of the Progressive Socialist Party in Lebanon, had talks in Baghdad with leaders of the ruling Iraqi Baath Party.

Reuter

L. Daniel adds from Tel Aviv: Israel has reacted to the presence of an estimated 3,000 Palestinian irregulars in Southern Lebanon by putting its forces along the Lebanese border into a state of higher alert to prevent any attempt at infiltration into Israel. The Palestinians are stationed nearer the border than in the past, hence the increased concern here about possible attempts to cross into Israel for purpose of sabotage.

Moreover, the Israeli army spokesman said last night Israeli forces were combing the roads along the border for mines.

Ihsan Hijazi in Beirut adds: Israeli troops have been active inside Lebanese territory during the past two days, but its magnitude and objective are not yet fully known, according to informed travellers from Southern Lebanon.

According to the Popular Front for the Liberation of Palestine (PFLP), 1,000 Israeli troops crossed into Southern Lebanon on Tuesday night. A PFLP spokesman said the Israelis killed one villager and kidnapped another during a search of the village of Kfar Chouba a few miles from the Israeli frontier.

The Israeli force appeared to be building a road to link certain Lebanese villages with the Israeli border as part of Jerusalem's "open fence" policy, they said.

Palestinian sources said the Israelis have, during the past few weeks, increased their patrols inside Lebanese territory for fear of renewed guerilla activity there and across the border into Israel.

Reuter adds: Diplomatic relations between Iraq and the U.S. will be restored shortly before the Geneva Middle East peace conference reconvenes, the weekly magazine al-Hawadess said here to-day. Quoting diplomatic reports, the magazine said that U.S. Secretary of State Cyrus Vance would visit Baghdad during his next trip to the Middle East.

Likud policy outlined

BY DAVID LENNON TEL AVIV, June 2.

MR. MENAHEM Begin, the leader of the Likud bloc, who is expected to be invited by the Israeli president to try to form a government, to-day presented a 15-point draft proposal for policy guidelines when he met representatives of the Democratic Movement for Change (DMC) which he hopes to persuade to join a new coalition.

The draft is not specific on Israel's future borders and the establishment of Israeli settlements in the occupied territories. These are the two issues which are expected to present the Likud and DMC's negotiators with the most difficulties.

One guideline holds that "the Jewish people's right to the land of Israel is eternal and cannot be contested." Another sets as a government objective reinforcing the establishment of military outposts, and permanent agricultural and urban settlements, on the soil of the homeland.

Efforts to achieve peace will head the list of the government's concerns, one point reads. The government will participate in the Geneva peace talks on the Middle East, and the government will invite Israel's neighbours to discuss a peace settlement.

Even before attending to-day's meeting, Prof. Yigael Yadin, leader of the DMC, indicated that he considered the Likud guidelines on defence and settlement as being too vague.

The Likud indicated that it would create an inner cabinet for foreign affairs and security, which would include Prof. Yadin, if he were to accept the offered post of Deputy Premier.

RHODESIAN RAID

Owen studying effects on peace initiative

BY OUR FOREIGN STAFF

WHILE RHODESIAN troops were heading home yesterday after their longest incursion into Mozambique, Dr. David Owen, the British Foreign Secretary, was assessing the repercussions of the raid on the current U.K.-U.S. peace initiative for Rhodesia.

Even without the incursion the attempt by Britain and the U.S. to find a basis for agreement on a constitution for Rhodesian independence presented great difficulties. But the new development, Dr. Owen argued earlier this week, not only threatened the peace effort but "could well trigger off a serious military conflict in the area."

The feeling in Whitehall is that the raid could lead to Soviet and Cuban military involvement in the area on the side of Mozambique, and is likely further to antagonise Rhodesian black nationalists, reinforcing their suspicions about the intentions of Mr. Ian Smith, the Rhodesian Prime Minister.

It is argued that, coming on top of Rhodesia's recent threat to make pre-emptive strikes into Zambia against guerillas there, the Mozambique raid will have increased the militancy of the front-line African states which have a vital role to play in any settlement negotiations.

But the issue is being viewed differently in Salisbury. It is argued there that, for Mr. Smith to be able to bargain at any constitutional negotiations, the Rhodesian security forces must have the upper hand.

There is less enthusiasm for the incursion among Rhodesian business people, who are inclined to the view that the raid will do more harm than good to the chances of a negotiated settlement.

In South Africa even the most pro-Government and pro-Salisbury of South African commentators have been half-hearted in their defence of the Rhodesian action.

The government-influenced news commentary on South African Radio has drawn a clear distinction between "hot pursuit" which was, it claimed, "recognised under international law," and maintaining troops on foreign territory, which was not.

The raid aside, the U.K.-U.S. team which has been sounding out opinion in Southern Africa on the prospects for agreement on Rhodesia's independence constitution, appeared likely to have highlighted three main areas of disagreement when it reported back to Dr. Owen yesterday.

According to informed sources in Lusaka, the most difficult of the three issues is the question of the Rhodesian franchise. During the team's discussions with Mr. Smith, he did not budge from his insistence on a qualified franchise, while Britain supports the black nationalist demand for universal adult suffrage.

As at the Geneva conference last year, control of the army and police during the shift to majority rule is another stumbling block. Mr. Smith feels that retention of his security forces would guarantee law and order. The U.K.-U.S. team feels that a "golden mean" should be found between this and the black demand for guerillas to take over internal and external security.

A third sensitive area is the need for incentives and reassurances to the 270,000 whites to stay on.

New talks on Namibia

BY JOHN STEWART CAPE TOWN, June 2.

TALKS ON the future of Namibia (South-West Africa), between South Africa and envoys from the five permanent western members of the UN Security Council, will be resumed in Cape Town early next week, diplomatic sources disclosed to-day.

After two rounds of talks, the five feel that some encouraging progress has been made, but obstacles remain in the way of laying down an agreed formula leading to self-determination and independence.

The South African position has changed in important respects since the first contact on April 7. It has agreed to free national elections to a constituent assembly which would develop a constitution for an interim Government before independence. It has also agreed that all Namibians inside and outside the territory could take part, including members of SWAPO, the main nationalist group, and that the UN could be involved in the electoral process to ensure fairness and international acceptability.

Australian nuclear plan

BY KENNETH RANDALL CANBERRA, June 2.

THE AUSTRALIAN Deputy Prime Minister, Mr. Douglas Anthony will visit Japan this month to propose formally that the two countries negotiate a nuclear safeguards agreement along the lines of the Australian policy announced last week.

The talks will be an important test, not only for the Australian policy, but for President Carter's proposals for limiting the spread of advanced nuclear technology.

Mr. Carter is relying heavily on a joint marketing arrangement with Australia and Canada to give bargaining muscle to his new programme which has had a cool reception from key consumer countries including Japan.

Prospects for the mission, however, are not bright. In a public speech this week, the Japanese Ambassador to Australia, Mr. Yoshio Okawara, outlined his Government's strong reservations on key features of the Carter policy and, by implication, Australia's. Japan hopes Australia will not insist on uranium exports being conditional on a ban on plutonium production, he said.

Angolans arrest Portuguese and rebels

By Diana Smith LISBON, June 2.

SR. PEDRO FORTUNATO, the former political Commissar in Luanda, the capital of Angola, has been arrested. Reports from Angola this afternoon said that Sr. Fortunato fled Luanda when last week's rebel coup failed. He had apparently been acting on behalf of the rebel leader, Sr. Nito Alves, with district committees in the city.

Also, a former editor of the Luanda daily newspaper, Diario de Luanda, Sr. Virgilio Frutuoso, has been called in for questioning by the Angolan authorities, along with other local Portuguese, apparently in connection with last week's abortive coup.

It appears that one of the men arrested is Col. João Varela Gomes, well known in Portuguese revolutionary circles in 1974-75. He left Portugal for Angola late in 1975 and has been living there ever since.

In a recent speech, the Angolan President, Sr. Agostinho Neto, implied that "Portuguese extremists" had supported the "radicals" who devised the coup attempt.

Today's issue of the Lisbon radical left-wing weekly Pagina Um gives a detailed report of the origins and leading figures of the coup, apparently planned several months ago, in an attempt to eradicate numerous mulatto and white leaders of the ruling MPLA.

The radicals, however, apparently conceded that Sr. Neto was the only figure who could rally popular support, and intended to keep him on as president.

Agencies add: Sr. Garcia Neto, the director of economic affairs at the Angolan Foreign Ministry, was one of several officials assassinated during last week's abortive coup in Angola, it was reported to-day by the MPLA.

Martial law ruled illegal in Lahore

By Our Own Correspondent ISLAMABAD, June 2.

THE GOVERNMENT of Pakistan is likely to make an appeal to the Supreme Court against to-day's ruling by the Lahore High Court challenging the imposition of martial law in the city.

Prime Minister Zulfikar Ali Bhutto clamped martial law on three of the country's biggest cities—Lahore, Karachi and Hyderabad—six weeks ago to check growing violence which threatened to topple his Government.

Last month the Karachi High Court gave a different ruling when it upheld the validity of the constitutional amendment and suspended the hearing of petitions challenging the legality of martial law.

The judgment assumes greater importance because of its timing. The long-awaited talks between Mr. Bhutto and the opposition parties in an attempt to resolve the country's three-month-old political crisis, are due to start to-morrow. Withdrawal of martial law was one of the opposition's principal demands.

Banaban terms for acceptance

Financial Times Reporter

THE BANABANS, whose Ocean Island home in the South Pacific has been devastated by phosphate mining, have said they will accept the £6.5m. compensation payment from the British, Australian and New Zealand Governments only on certain conditions.

Their representative in London, the Rev. Tebuke Rotan, said last night that the proposed fund must be controlled by the islanders leaders and Ocean Island itself must be separated immediately from the Gilberts group of which at present it is a part.

WORLD TRADE NEWS

Italy restricts imports of Japanese motorcycles

BY OUR FOREIGN STAFF

ITALY HAS decided to impose a temporary ban on all imports of Japanese motorcycles over 380cc. and some audio parts in an attempt to protect local production.

The move is widely regarded as a retaliatory measure against Japanese trade restrictions which in the last few months have severely hit Italian industries, particularly the manufacturers of winter sports equipment, notably ski boots.

Officials on both sides said this was the first case of retaliation in a trade dispute between an individual Common Market state and Japan, which denies it has put pressure on ski boot importers to curb imports from Italy.

Japanese Ministry of International Trade and Industry officials said they have not been notified officially by the Italian Government about the import restrictions. The EEC Commission informed the Japanese Embassy in Brussels on Wednesday of the Italian Government action, an EEC official said.

As far as can be determined, the only public notice of the retaliatory measures against five Japanese products came on May 27 in the Italian Government's official gazette.

The measures will restrict the import of Japanese motorcycles with engines larger than 380cc., motorcycle sidecars, audio parts for movie projectors, stereo turntable cartridges and video tape recorder recording heads.

The Italian Foreign Trade Ministry said yesterday that the import ban on certain Japanese goods, which is retroactive to January this year, would be enforced until the end of December.

The temporary ban will affect in particular imports of Japanese motorcycles.

Tokyo flatly denies the charges

BY DOUGLAS RAMSEY IN TOKYO

Following Italy's decision shut out Japanese exports of motorcycles and some audio parts in retaliation against what Rome thinks are surreptitious Government restrictions on Japanese imports of Italian ski boots, Japan's Ministry of International Trade Industry (MITI) flatly denied the charges.

MITI is studying the measures which it says were taken in the last few days without any notification. In fact, Japanese diplomats in Rome got confirmation yesterday that the two items had been placed on Italy's list of restrictions on Japanese imports but so far there has been no official notification of the move to the Japanese Government. For now, none of these items are being granted import licences until quotas can be set.

Italian sources in Tokyo say the measures were taken in retaliation against a reduction in Japanese imports of Italian-made ski boots. Last year Tokyo asked the EEC to voluntarily control its boot exports to Japan, worth Y4bn. in 1976.

Brussels said no, as did Rome which accounts for 85 per cent of the EEC exports to Japan. In December, Italian exporters got wind of alleged pressure being put on Japanese importers by MITI to reduce their purchases by 20 per cent. The EEC formally asked Japan to deny that such "guidance" existed, but has received no reply as of this evening, according to Community sources in Tokyo.

Rome is understood to have informed the EEC Commission on May 28 of its action to restrict from June 1 all Japanese motorcycle and tape-recorder parts imports. The EEC does not have to authorise such action when they take the form of retaliatory restrictions, as claimed by Rome. Japan's Foreign Ministry was told this to-night, although it still had not got official word from Rome on the matter.

MITI officials flatly deny that Tokyo has imposed any restrictions whatsoever on imports of ski boots. They say that flooding of the market last year prompted the request for an orderly marketing arrangement with the EEC, a request which was turned down.

Since then, one official insists, "we dropped the matter." Nevertheless, MITI did confirm that import consignments are well below last year's levels as a result of the flooding.

Ski boot shipments, moreover, do not happen in a big way until September and October, leading MITI to the conclusion that Rome's import controls cannot at all be justified as retaliation. A MITI source said, therefore, that Japan will "no choice" but to protest on the measures at GATT if they are not lifted promptly.

As Tokyo sees it, Italy (and the EEC) is treading on thin and illegal ground by placing quantitative restrictions on Japanese exports. Japan's motorcycle exports now halted were worth $24m. last year, or less than one per cent of Japan's exports to Italy.

On the other hand, Italy exported roughly $11m. worth of ski boots to Japan last year, a little over 2 per cent of Italian sales in Japan thus. Italy stands to lose relatively more if its retaliatory action leads to one by Japan on ski boots—a possibility which MITI officials would not preclude.

Although motorcycles only represent one per cent of Japan's exports to Italy, Japanese makers claim 86 per cent of the market for large-size cycles.

In 1976 Japan exported Y7bn. worth of such motorcycles (over 250 c.c.) to Italy, almost all of them in the 380 c.c. and above class. (Below 380 c.c., they have been under strict quota control since the early 1960s in order to protect Italy's own motorcycles manufacturers.)

Now, Italy has decided to subject all incoming motorcycles from Japan above 380 c.c. to licensing and made it clear to importers that no licences will be granted until quota ceilings for the year can be set.

The increase in Japanese exports to Italy of tape recorder parts was more marked, though still small in volume compared with exports of these parts doubling from Y390m. to Y779m.

Thus, MITI thinks that Rome is using a trumped-up charge of retaliation, in effect, as an alibi for protecting Italian industries from the large inroads made last year by Japanese motorcycle and stereo parts makers.

EEC concern over repercussions of U.S. Steel case

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, June 2.

CONCERN IS mounting in the Brussels Commission and EEC capitals that trade relations with the U.S. could be gravely damaged if U.S. Steel wins its current legal challenge over the remission of valued added tax on European steel exports worth about $1bn. a year.

Though a decision on the case, now before the U.S. courts, is not expected before next autumn, Commission officials are now putting the finishing touches to a draft paper which recommends that the EEC should seriously consider retaliating against U.S. exports if a finding is made in favour of U.S. Steel.

It is hoped that the paper will be approved by the full Commission next week and presented to the next EEC Foreign Ministers' Council meeting on June 22. It does not specify any particular form of retaliation, which would in the event have to be decided by EEC governments.

The fear in Brussels is that a legal victory by U.S. Steel would not only lead to the imposition of stiff countervailing duties on European steel exports but might also be seized on by other U.S. business interests as a precedent for obtaining protectionist relief from other EEC exports, almost all of which enjoy VAT remissions. Such an outcome could result in the breakdown of the multilateral trade negotiations on tariff-cutting now being conducted in GATT.

VAT remissions on exports are considered legal under GATT. But European anxieties about the outcome of the U.S. Steel case have been heightened by a recent U.S. court decision in favour of Zenith, the American television manufacturer, which had challenged the legality of tax rebates enjoyed by Japanese television makers on their exports to the U.S.

The Zenith decision is now being appealed by the U.S. Treasury and President Carter has assured the EEC that his Administration will also oppose U.S. Steel's case. But if the American company's legal arguments are upheld by the courts in the final analysis, the EEC would have no option but to seek an amendment of the U.S. tax laws by Congress.

Governments of the Nine have agreed informally to co-operate in organising a lobbying campaign by their Washington embassies to try to convince members of Congress of the potentially serious consequences of the court cases. They are said to have won an influential convert in Congressman Charles Vanek, chairman of the Trade Sub-Committee of the House of Representatives Ways and Means Committee.

By letting it be known that the EEC will not shrink from retaliation, if necessary, the Commission is also trying to prepare the ground for an eventual approach to Congress.

Ironically, the American protectionist threat has thrust the Community into close collaboration with Japan, with which it is still in conflict over mutual trade questions. The two sides have been co-ordinating their response within GATT.

Draft directive issued on export credit insurance

BY DAVID BUCHAN BRUSSELS, June 2.

THE EUROPEAN Commission has settled on a new approach to the problem of harmonising export credit insurance within the Comunity. Yesterday the Commission approved a new draft directive to be sent to the Council of Ministers.

Dropping the old approach of trying to make uniform all the fine print on credit insurance contracts and policies, the new draft directive, which bears strong marks of British thinking in this field, sets out instead broad guidelines on insurance practices.

The directive is meant to supplement the success of the EEC Council in agreeing earlier this year common guidelines on minimum interest rates and maximum periods of cover.

These latest guidelines on credit insuring principles require, among other things, that exporters cannot get cover for more than 95 per cent. of a contract's value, that this cover cannot apply when a supplier is at fault, and they allow banks to continue to get 100 per cent. unconditional cover from the various state-run insurance bodies.

The guidelines do not try to make the premiums uniform, for the reason that the proportions of total export contracts that are insured vary from 7 to 35 per cent. in different EEC states, and therefore there is a wide difference in the nature and quality of risks that are insured. Nor do the guidelines cover specialised forms of insurance like that against inflation risks or exchange fluctuations.

But the directive will require all State insurance policies to provide the Commission with all the details of their rates and practices, and Brussels officials still hope to use this information to make future headway towards common premiums.

By approving the new draft directive, the Commission is withdrawing various directives—passed by the Council in the early 1970s but never put into effect — which aimed at making uniform certain types of contract insurance.

Efforts to make uniform credit insurance policies had already run into considerable difficulties before the entry of the U.K. and Ireland which, with their widely differing insurance and banking practices, made progress along these lines virtually impossible.

Aerospace exports

British aerospace exports remained strong at £86m. in April, following the record figure of £100.6m. in March. This takes total exports for the year to £327.3m., giving a positive net balance of over £77m. over imports.

Exports of guided weapons reached a record £4.3m. in April, due mainly to sales of the British Aerospace Rapier low-level defence system, which now has orders worth over £600m. from six countries.

Hose order

Avon Industrial Polymers, of Bradford-on-Avon, Wilts., has won an order from Volkswagen, the West German car maker, for about 3m. car radiator and heater hoses. This is the biggest single hose contract in the company's history. It means Avon will be using its full output capacity and workforce at Bradford-on-Avon in producing 300,000 hoses a week for home and overseas customers.

Australian loan

Swiss Bank Corporation (Luxembourg) is lending the Australian Government $21m. to help pay for two bulk ore carriers being built for the Australian National Line at the Gotaverken shipyard in Swede

NORTH-SOUTH: WHERE THE DIVISIONS LIE

Two of the main issues at the Paris Conference on International Economic Co-operation are commodity price support schemes and debt relief for some of the less developed countries (LDCs).

The third world participants are seeking a $6bn. common fund to finance the buffer stocking of certain key commodities. Some of the basic statistics about these commodities are given on the far right in Table 1.

Table 2, lower right, shows the cost of debt servicing in terms of a percentage of exports for a selected list of LDCs. This percentage can change rapidly as a country heavily dependent on the export of a single commodity (say Zambia and Zaire in the case of copper) finds world demand falling or rising.

Common fund 'test case'

BY DAVID HOUSEGO

IN PRESSING so hard for the establishment of a common fund, the developing nations have seen it as a test case of the willingness of the industrialised world to reform the international economic order.

As originally conceived the fund would be used to buffer stock 18 commodities of which UNCTAD picked out ten as being "hard core" and thus deserving priority treatment. The two not included in the table, which records production during the boom year of 1973, are sugar and cotton, both of which are heavily produced in the West.

The economic arguments for setting up a common fund—which have been partially accepted by the industrialised nations—are that both producers and consumers stand to gain from a stabilisation of prices that a buffer stock could bring: and that a common fund would need less cash than individual commodity agreements because the surplus from the sale of one product could be used to underpin another.

Western objections to the fund have shifted from outright rejection by the U.S. and West Germany as running counter to market forces to fears that it would push up commodity prices to unrealistic levels. The West has also argued that buffer stocks are suited only to certain commodities like tin, rubber, coffee, and cocoa. It believes as well that the $6bn. sought by the developing nations is dangerously excessive.

The issue of LDC indebtedness is even more complicated becauset the developing nations are at odds themselves. The more creditworthy are reluctant to be lumped together with those "most seriously affected" as part of a general debt relief plan.

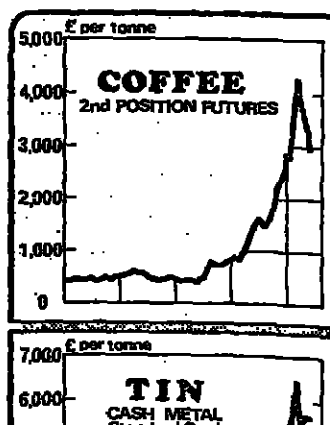
The LDC's indebtedness vastly expanded after the oil crisis when in 1974 they ran a $28bn. deficit on current account followed by a $37bn. deficit in 1975 (over four times what it was in 1970).

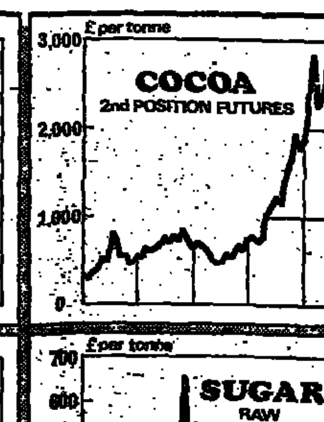
During the Paris conference they have asked for a cancellation of debt for the least developed, some relief for those considered "most seriously affected," and a conference of debtors and creditors which would include on its agenda renegotiation of commercial debt.

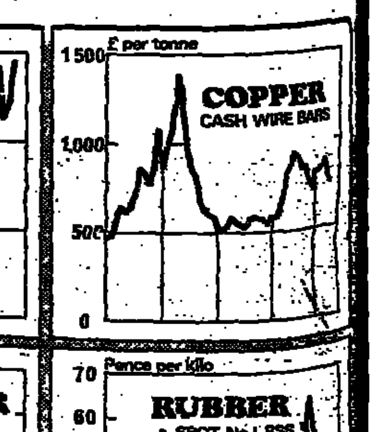
KEY COMMODITIES

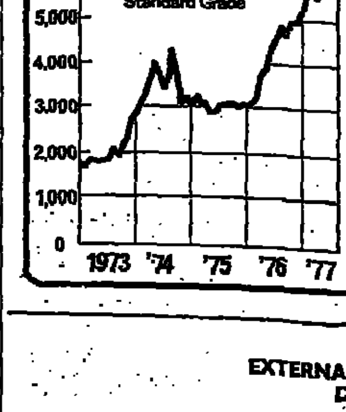
Commodity	Total world production 1973 '000 tonnes	Leading and % share of production	Main importers
Tin§	185	Malaysia (39) Bolivia (15) Indonesia (11)	U.S., Germany Japan
Copper	7,514	Chile (9) Zambia (9) Zaire (6)	Japan, Germany, Britain, Belgium
Rubber	*3,490	Malaysia (45) Indonesia (25) Thailand (11)	U.S., Soviet Union Japan, China
Sisal	555	Tanzania (29) Angola (11) Brazil (41)	France, Belgium, Italy Portugal
Jute	4,288	India (36) Bangladesh (26) Thailand (15)	France, Belgium, Italy, Portugal
Tea†	*975	India (47), Sri Lanka (22)	Britain, Soviet Union, U.S. Pakistan
Cocoa	*1,385	Ghana (24) Brazil (16) Nigeria (15) Ivory Coast (15)	U.S., Soviet Union, Germany, Netherlands
Coffee‡	2,680	Colombia (18) Brazil (12)	U.S., Germany, France, Italy

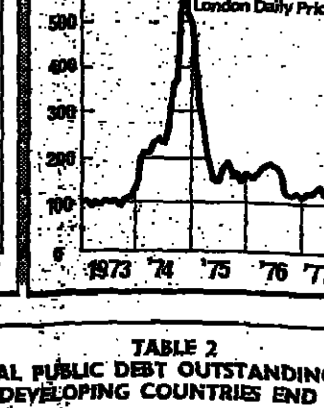
* 000's long tons
† 1972 figures
‡ Exportable production only
§ Excludes communist countries











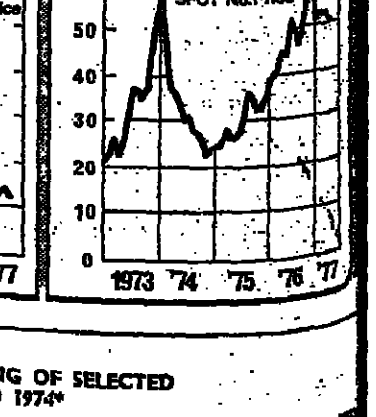


TABLE 2
EXTERNAL PUBLIC DEBT OUTSTANDING OF SELECTED DEVELOPING COUNTRIES END 1974*

	Disbursed only (U.S.$ millions)	Total	Service Payments as % of exports
Argentina	3,345	4,864	16.2
Brazil	9,303	11,984	15.2
Burma	292	455	14.4
Egypt	1,811	3,119	32.0
India	[illegible]	14,207	15.9
Indonesia	[illegible]	8,696	5.2
[illegible]	[illegible]	6,147	10.5
[illegible]	[illegible]	1,051	11.7
[illegible]	[illegible]	616	21.8
[illegible]	[illegible]	2,563	11.7
[illegible]	[illegible]	1,189	8.1

هكذا من الاصل

... rises and the recession in the industrialised world ... of most LDC's is now very much higher than would appear ... table. Two of the countries in the table, Zaire and North Korea, have even defaulted on their external debt.

* Source: World Bank

مكاتب الاهرام

HOME NEWS

Six part-timers join Board of Shipbuilders

BY ROY ROGERS, SHIPPING CORRESPONDENT

'ICULTY IN finding suit- men willing to run Britain's nalised shipbuilding in- y has forced the Govern- to announce a largely part- Board for British Ship- ers, which officially comes being on July 1.

part-time members were unced last night to serve r chairman Admiral Sir ony Griffin, deputy chair- and chief executive, Mr. ael Casey, and deputy chair- Mr. Ken Griffin.

is move, which is largely satisfy the Government rement that there should Board of at least seven by uly 1 vesting day, gives the stry Department more time arch out full-time replace- for the key corporate plan- industrial relations and ce posts. They had been arked for Mr. Peter Mills, Tony Peers and Mr. Patrick ths respectively until they ned from the industry's ising committee earlier year along with the then executive designate, Mr. am Day.

forecast in the Financial s, the part time members inced by Mr. Eric Varley, ndustry Secretary, include loss Belch, Mr. Tom McIver, Mr. Cameron Parker, and Mr. Bill Richardson, managing directors, respectively, of Scott Lithgow, Swan Hunter, John G. Kincaid and Vickers Shipbuilding.

Union representatives are Mr. Ken Baker, of the General and Municipal Workers' Union, and Mr. Les Gregory of the Electrical and Plumbing Trades Union. Mr. John Chalmers, of the Boiler-makers' Amalgamation, who served on the organising committee, is to devote all his time to the union because of the recent death of its president, Sir Dan McGarvey.

As well as trying to find suitable executive directors, British Shipbuilders is seeking premises for its headquarters, which will be in the North-East, and a London base.

Recruitment of executive directors still remains a high priority as the industry is in a sorry state and in need of long-term planning which many believe should include considerable rationalisation.

The existing full-time team has little or no scope for attending to these important issues as they spend virtually all of their time trying to generate orders for British yards, many of which will begin laying men off unless they receive a considerable amount of new work soon.

Terry Wiles, a thalidomide victim, was at the John Player-British Genius Exhibition, Battersea Park, London, yesterday displaying his Supercar. Designed and built by his father, Mr. Leonard Wiles, the car can go up and down stairs and enables Terry to feed himself. It was built at a personal cost of £10,000.

£40m. offer for estate turned down

BY QUENTIN GUIRDHAM, PROPERTY CORRESPONDENT

AN OFFER of over £40m. for the Knightsbridge Estate has been turned down. The bid for the estate, taking in the properties between Sloane Street and Harrods on the south side of the Brompton Road, London, S.W.1, came from one of the nationalised industry pension funds.

The estate has been offered for sale by Capital and Counties Property Company. Unless it accepts a single bid, which it now seems would have to be substantially above £40m., the properties will be auctioned in 28 separate lots on July 5.

If split into separate lots, there would be competition among pension funds and insurance companies for the individual shop units on the Brompton Road. Private dealers would be the likely bidders for the blocks of mansion flats.

With the rejection of the bid, worth about £40.5m. from a single, highly reputable fund, the chances of a successful single bid before the auction may now centre on consortium offers. But the complications involved in a bid where some parties are tax-exempt funds and some tax-paying property companies or individuals would be considerable.

There have been rumours that wealthy foreign investors, including Arabs, were considering bidding for the whole estate. But, so far, no formal bid comparable to that by the nationalised industry pension fund is thought to have been made.

No confirmation of the offer was available last night from Capital and Counties. But the company maintained, when announcing the sale to cut its short-term borrowings, that the estate was worth at least £40m. and it hoped for substantially more.

Burmah Oil will pay $10m. to Seatrain

BY ROY ROGERS, SHIPPING CORRESPONDENT

THE DISPUTE between Seatrain Lines of the U.S. and Burmah Oil over a broken oil tanker charter has been settled out of court—at a cost of $10m. to the British company.

Legal wrangling between the two companies started in 1973, when Mr. Elias Kulukundis, the then president of the Burmah Oil Tanker Company, violated a charter party agreement by refusing to deliver a tanker which was to have been chartered to a Seatrain subsidiary.

The vessel was diverted to Exxon at far higher rates than those agreed with Seatrain.

Last month the U.S. District Court in New York awarded Seatrain damages of $6.6m Judge Marvin E. Frankel said: "The Burmah people had sought to escape their plain obligations and seize an advantage in a steeply rising tanker market."

Mr. Kulukundis resigned from the company in 1975 when it ran into financial difficulties, largely due to over-commitment by his shipping division.

Methven hits EEC patent proposals

A. H. Hermann, al Correspondent

EEC draft regulation ded to exempt certain types censing agreements from notification procedures was 1 up by the wrong people 1e wrong reason, according r. John Methven, director al of the CBI. It would urage licensing and techno- transfers in the Common et.

told the international con- ce on licensing in London day the root of the trouble 1e fact that this matter was ed in Brussels by the com- n department of the Com- n. The departments con- l with trade and industry, ought to look after indus- roperty rights, played only ndary role.

est

similar misguided assign- of patent legislation to the tment of Consumer and rate Affairs in Canada led sastrous proposals which used a world-wide protest. Methven said: "Those in of competition policy, for le in the Common Market, got patent licensing in a s grasp and are in danger ottling it to death."

e seemed to be a growing etween the view taken of ial property rights by y on the one hand and ment on the other. While ial property rights de- protection and contri- to economic advance, ments viewed these rights uspicion as monopolistic requiring supervision.

suspicion resulted in y towards these rights, sted at the Geneva talks TAD, where the tendency to be to treat patents, s and trade marks as a issue rather than as an nt element of industrial hip.

Wednesday Mr. Edmund 1e Secretary of State for expressed similar views conference.

Post Office cuts in orders justified, report concludes

BY MAX WILKINSON

MR. MICHAEL POSNER'S report on the Post Office's cuts in the ordering of telephone exchange equipment finds no commercial grounds for alternative action.

He finds that 60 per cent. of the reduction in orders for the three years 1977-78 to 1979-80 was attributable to new methods of traffic forecasting. "One third of the change may be due to a changed notion of the expected level of national income in 1980. The rest is due to the increase in the relative price of the telephone services."

In November, 1976, he says suppliers were given 18 months' notice of a 50 per cent. cut and 30 months' notice of a 70 per cent. cut in the workload of factories producing Strowger exchange equipment.

He says that between 1973 and the autumn of 1976 the ordering programme for the three final years of the decade taken together fell by £257m.—a cut of about 30-35 per cent. The reduction in manpower requirement was probably greater, because the cuts were concentrated on the labour-intensive Strowger equipment.

Of the £917m. of total telecommunications investment by the Post Office in 1975-76, £201m. or 22 per cent. was spent on telephone exchange or switching equipment from the manufacturing industry.

There are four companies in the U.K. making public telephone exchange equipment: GEC Plessey, STC, and Pye (TMC)

A review of capacity by more modern techniques and computer-based analysis has found that the Post Office now has up to 20 per cent. excess switching capacity in addition to normal spare capacity of up to three years' system growth.

Impact

Mr. Posner says: "I have found no-one who claims to have expert knowledge in this field who would seriously question this assessment .... The only surprise is that the Post Office has not recognised its existence before.

"The implication is that, superimposed on a slow growth in demand, additional capacity has been found equal perhaps to another three years' growth. This must call into question the need for new capacity."

Mr. Posner examines the question, raised by Sir Harold Wilson, of whether price reductions could help to stimulate demand for the telephone service. He says prices were too high in 1975, but that inflation is now bringing them back into line with the Post Office's financial targets.

He suggests that there is a case for reducing the traffic charges and increasing rentals with perhaps a reduction of the connection charge. He hopes these "imperfections" in pricing will be remedied

Value

He finds no reason to challenge the Post Office view that the price elasticity is relatively low. "If customers place a rather low value on increased total traffic, it is not wrong for the Post Office to place a low value on the purchase of extra new equipment

"I conclude that it is not possible to fault the presumption in favour of the Post Office's ordering decision on the grounds that their pricing policies may be wrong."

The fall in demand for telephone traffic compared with the expectations of the beginning of the decade meant that it was no longer necessary to extend Strowger and Crossbar exchanges to the extent originally envisaged.

Mr. Posner attempts a cost benefit analysis to find out whether the Post Office should have ordered more equipment even if it had been the owner of the supplying companies.

His analysis is based on the question: "How much cheaper would the price of the new equipment have to be before it became profitable to the Post Office and its customers taken together to order more?"

He concludes that "more equipment is probably worth so little to the Post Office that ... there is no level of subsidy that we could reasonably pay that would induce the Post Office to order more."

He suggests two possible exceptions:

1. Bringing forward the small stream of Strowger orders. This would help the factories making the equipment in the short run but would result in a sharper cut-off later on with higher redundancies and greater disruption. The cost to the Post Office would be about £5m.

2. Restoration of some of the cuts on TXE4 equipment, if the Government agreed to revise the criteria for investment spending in the public sector.

Post Office orders for Telecommunication Switching equipment. Report to Secretary of State for Industry.

Texaco seeks tenders for Tartan platform

By Ray Dafter, Energy Correspondent

TEXACO is to invite tenders for a Tartan Field production platform within the next fortnight, a potential order that could give one of the U.K. platforms yards a much needed boost.

But the oil group has hinted that the order might not be placed in Britain. A number of overseas yards are being invited to tender.

All four U.K. yards capable of building steel platforms are in the running: Highland Fabricators at Nigg Bay; Laing Offshore at Graythorp; McDermott at Ardersier; and Redpath Dorman Long at Methil.

RDL and Laing Offshore are without any orders at present although they are among companies bidding for the Murchison Field platform. HiFab is also without a firm contract although it has a letter of intent to build another platform for the Ninian Field.

HOME NEWS

Public sector debt less than expected

BY MICHAEL BLANDEN

THE PUBLIC sector borrowing requirement in the past financial year was £8.73bn., according to the latest estimate published by the Central Statistical Office.

This is below the estimate of £8.8bn. given at the time of the Budget at the end of March. The new figure provides final confirmation that the outcome for the last year was well below earlier forecasts—as recently as mid-December, the Treasury was predicting a borrowing requirement of £11.2bn.

The result could provide further support for the views in the City and elsewhere that the projections for the current financial year may turn out to be too high again, and that there is therefore room for some reflation of the economy within the present targets.

In his Budget speech Mr. Denis Healey, the Chancellor of the Exchequer, said the result of both parts of his proposals—including the conditional reduction in income tax—would be to produce a PSBR for the current financial year of some £8.5bn. This would be within the ceiling of £8.7bn. agreed with the International Monetary Fund.

Some forecasters have argued that the outcome could be significantly lower. The influential National Institute of Economic and Social Research this week predicted, for example, the PSBR for the current financial year would be about £6bn., with Government revenue being boosted by the effect of expected inflation on tax income.

The latest official figures show that in the first quarter of 1977—the final period of the financial year—the total public sector borrowing requirement was £1.72bn. on a seasonally adjusted basis. This was some £70m. lower than in the previous quarter.

The central government's own borrowing requirement in the quarter was £1.18bn., seasonally adjusted, a rise of about £350m. over the previous quarter.

Ratepayers 'face confusion' over notional home values

BY STUART ALEXANDER

THE NOTIONAL VALUE of houses, on which future rate demands would be based if proposals in the recent Green Paper on local government finance were accepted, will be far different from the actual price paid, Professor Christopher Foster, director of the Centre for Environmental Studies, said yesterday.

What was proposed, he told delegates to the Chartered Institute of Public Finance Accountants' annual conference in Eastbourne, was far different than the simple outline people had been given.

It was sensible to imagine that the adjustments would mean that the notional value would not be the price paid, but the price one would have paid at the time of the most recent revaluation. These were normally 10 years apart.

Any part of the price which reflected hope or development value would be eliminated and the sale price would be adjusted to reflect an average state of repair.

He thought that there would be further adjustments to offset any particularly favourable or unfavourable influences and to convert from leasehold to freehold. Other tax advantages would be eliminated and, finally, there would be banding.

"My own view is that at the end of this process the rationale would be as mysterious to the ratepayer as it is now," said Professor Foster. "Indeed, it might worry him more."

● The application of current cost accounting to organisations such as local authorities would be irrelevant, Mr. Kenneth Sharp, head of the Government Accountancy Service, said yesterday.

April house-building activity continues better trend

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE IMPROVEMENT in house-building activity recorded in March continued into April, according to provisional figures from the Department of the Environment.

Statistics show that during April a start was made on 22,700 homes in Great Britain, compared with 22,800 in the previous month.

The figure is still well down on the levels recorded a year earlier—starts last April reached 30,800 — but it indicates an improvement over the more recent poor rate of output. Starts in January, for example, were only 15,700.

On a three-month seasonally adjusted basis, starts in the February-April period were down or'y 3 per cent. on the previous quarter but 32 per cent. lower than in the same period a year before.

Private housing starts in April totalled 12,400, against 11,000 in March, while council house starts reached only 10,300, compared with 11,800 in the previous month.

Housing completions totalled 23,600 against 25,900 in March and 25,900 in April, 1976. Of the April, 1977, figure 12,100 were in the public sector—a fall of 2,500 on the previous month—while 11,500 completions were recorded in the private housing sector, 500 more than in March.

On a three-monthly basis, total housing completions were 1 per cent. up on the previous quarter but 8 per cent. down on the same period a year earlier.

The Department also announced that house renovation grants for 30,500 homes were approved in England and Wales in the February-April quarter, compared with 30,700 in the same period a year earlier.

Price Commission curbs cement price increases

BY OUR BUILDING CORRESPONDENT

THE PRICE Commission yesterday issued a statement pointing out the latest round of price increases announced by the cement manufacturers were substantially lower than had cause of its intervention, originally been sought.

The commission normally publishes monthly lists which contain details of its interventions in price rise applications, but on this occasion it has clearly wanted to dispel any impression that the cement makers had been given approval in full for the price increases they sought.

The Cement Makers Federation first applied last month for permission to raise prices but the commission rejected the application. A new application was submitted and yesterday the Federation said the 12 per cent. increases would take effect on June 9.

Ashley Ashwood

Mr. Tony Garrett, chairman of Imperial Tobacco, who described the new product launched yesterday as "the culmination of 18 years' work."

Imperial to launch six New Smoking Material brands

BY STUART ALEXANDER

IMPERIAL TOBACCO is expected to launch a heavy advertising campaign in the near future in support of its new brands of cigarettes containing New Smoking Material. The six varieties, which include two types of Embassy, have been split evenly between W. D and H. O. Wills and John Player.

All except one will fall into the low-tar bracket and all will contain 25 per cent. of the cellulose-based substitute, developed jointly by Imperial and ICI and manufactured at Ardeer, in Scotland.

While already announced rivals launched by Gallaher and Rothmans—all are expected to be on the market from July 1—have been restricted to king-size cigarettes, the Imperial brands will cover all sectors.

Lighter blue

For Wills there will be Embassy Premier, a standard size filter cigarette, and Embassy Premier King Size. At the same time the company is to launch an entirely new brand, President King Size, which will fall in the low-to middle tar group.

From Player there will be New Smoking Material versions of No 10, No. 6 and John Player King Size, which will be marketed in a lighter shade of blue to distinguish them from their all-tobacco stablemates.

Although the New Smoking Material will mean that these cigarettes are generally in a lower tar bracket than their all-tobacco equivalents, their tar delivery will still in many cases be no less than existing very mild cigarettes.

Imperial says, however, that the tar from New Smoking Material is less irritating and less biologically active. It has made sure that smokers will not have to trade up to try tobacco substitutes. This is partly because Imperial, which claims 66 per cent. of the U.K. market, is very strong in the market for smaller cigarettes.

Clearance for the use of substitutes was given at the end of March by the Hunter Committee, though it studiously avoided endorsing blends containing substitutes as being in any way more safe. Yesterday Mr. Tony Garrett, chairman of Imperial Tobacco, emphasised that at no time had the company made any safety claims nor would it.

Both Gallagher and Rothmans will be introducing cigarettes containing Cytrel, which has been developed in the U.S by American Celanese, but Gallaher has indicated that it may use New-smoking Material later.

U.S. cigarettes

● British-American Tobacco confirmed yesterday that talks with Loews Corporation in the U S had reached a "delicate" stage. The talks are over the foreign activities of the Lorillard tobacco division. Lorillard's best-known brand is Kent, which has been available in the U K. for some time in a different formula from that in the U.S.

From October 1 cigarettes containing flavour additives will be allowed in the U K and several U S manufacturers are planning to market their cigarettes here.

Herring fishing ban urged

By Ray Perman, Scottish Correspondent

A COMPLETE BAN on herring catches in the North Sea, at least until the end of the year, was urged yesterday by the chairman of the Government's advisory Herring Industry Board.

Dr. W. J. Lyon Dean said that the ban should be enforced by the Royal Navy if necessary. Stocks had fallen so low that the fish was in danger of extinction.

Unless the EEC fisheries Ministers could agree at their meeting on June 27 to suspend fishing within 200 miles of the coast of Britain, the U.K. should impose a ban unilaterally.

The Government should also act to protect inshore fishing by declaring a 50-miles exclusive limit for British vessels so that the size of catches could be controlled.

"We must do these two things and keep these measures going long enough to give us all time to prove that conservation works, prove that the British can manage a conservation policy on marine life, and give adequate time for the Community to work out a fair and reasonable common fisheries policy.

Subsidy

"Let us get away from the present phase of 'ad hockery' and short-term compromise. How can business prosper if no one knows where and in what quantity his next month's raw material is to come from?"

Dr. Lyon Dean said that the effect of a ban would be to force the herring fleet inshore to the Clyde, the Isle of Man and the Minch, or to change to fishing for sprats, mackerel or white fish.

Some boats would have to be tied up and their operators should receive a subsidy.

The quantity of fish going to the processors would be cut to about 60 per cent.—enough for the domestic market—but not enough for export. Prices, which were already high would be bound to rise and perhaps double by next year.

Asked about the problems of enforcing the ban, Dr. Lyon Dean said that the fishery-protection service had improved tremendously recently and the new, Island-class ships were fast enough to outrun all but a small percentage of foreign trawlers fishing in British waters.

New waveguide phone link given go-ahead

BY KEVIN DONE, INDUSTRIAL STAFF

THE POST OFFICE has decided to go ahead with the world's first commercial use of the waveguide phone system in a £7m. project that will link Reading and Bristol.

The system has been developed from the start by the Post Office's research department in collaboration with Marconi and BICC and provides a communications highway capable of carrying half a million calls at once.

The Bristol-Reading link is due to come into operation in 1983.

Sir Edward Fennessy, managing director of telecommunications, said yesterday that the system was "in advance of anything comparable anywhere else in the world."

The number of phone calls made in the U.K. has grown from 10bn. in 1970 to 16bn. last year and the Post Office hopes that the great increase in capacity which waveguide provides will cater for phone growth into the next c tury and also give scope for r services.

The waveguide incorporate spiral of copper wire inside tube made from glass-reinfor plastic. The capacity of phone calls or 300 televis pictures is well in excess of conventional systems in U.K. The largest inter-c cable in service can carry 16, calls at once and a new li being constructed betwe London and the Midlands a North-West of England will capable of carrying nea 100,000 calls at once.

Discussions will begin shor between the corporation a Marconi for electronic equ ment, with BICC for the wa guide and with the British St Corporation for steel pipe which the waveguide is hous Construction and laying of t pipe should begin in 1979.

Severn-Trent water bills will be cut

BY IAN HARGREAVES

CUSTOMERS of the Severn-Trent Water Authority will have their bills reduced next year as a result of a ruling yesterday by Mr. Denis Howell, Minister at the Department of Environment.

Mr. Howell told the authority that the £21m. surplus it earned in the last financial year, which amounted to 11 per cent. of its turnover, had to be returned to consumers immediately under the terms of a Government ruling that only surpluses equivalent to 2 per cent. of turnover might be allocated t reserves.

Severn-Trent said last nig the Minister's ruling would kee increases in next year's wate bills to a single percenta figure, but charges would ris sharply the following year.

Severn-Trent was not the onl water authority to make surplus of more than 2 per cen of revenue last year, but it wa the only one to resist Mr Howell's instruction on imme diate repayment to customers.

Shipping chief calls for talks on over-capacity

BY ROY ROGERS, SHIPPING CORRESPONDENT

A FORUM comprising European shipowners, shipbuilders and governments to consider the problem of worldwide shipbuilding over-capacity while maintaining "reasonable" shipbuilding facilities, was suggested yesterday by Mr. Ross Belch, managing director of the Scott Lithgow Group.

Speaking at the launching of the 18,300 d.w.t. general cargo vessel Droya from the group's Kingston yard, Port Glasgow — the last launch before the group is officially nationalised at the end of this month — Mr Belch pinpointed two areas where he thought international collaboration could produce "very helpful solutions."

These were "sensible" scrap and build programmes and the more speedy adoption of segregated ballast tanks — now widely advocated as a major tanker safety and anti-pollution precaution.

CBI job for ex-TV reporter

A FORMER television industrial reporter, Mr. Richard Dixon, is to become the CBI's director of social affairs later this year in charge of the Confederation's policies on employment, labour and allied subjects.

At present Mr. Dixon, 42, is the CBI's director of information, a post he took up in 1973 after 14 years with Independent Television News, 10 of them as industrial correspondent.

His new appointment, which starts on September 1, follows the departure to a government post in Canada of the former director of social affairs, Mr. Eddie Robertson and the retirement at the end of December of Mr. Alan Swinden from being the CBI's chief adviser on social affairs.

'Best attempt'

THE HOLLAND Report's £168m. plan to provide occupations for jobless teenagers was the "best attempt" yet to give Britain a basic education system for those who fail to profit from academic school curricula, a London conference was told yesterday.

But Mr. Jeremy Harrison, assistant director of the Young Volunteer Force, told the conference unless there were also a co-ordinated programme of counselling, which would best be carried out by the Careers Service, many of the 234,000 youngsters for whom the Holland plan aims to cater annually, would drift in and out of the projects.

Union trouble

THE MANAGEMENT of Safeway, the American-owned supermarket chain, has run into trouble with the General and Municipal Workers' Union over the company's proposals to amend the company pension scheme.

The company has taken the decision to contract out of the earnings-related part of the new State scheme, due to start next April.

Defence contract

SCOTT LITHGOW has been awarded a Ministry of Defence design development contract for a fleet operations vessel which the lower Clyde company anticipates will firm up into a £20m. construction order next year.

NEWSPAPER SUBSIDIES IN EUROPE

'Dangers' of State aid to Press

BY MAX WILKINSON

ANY subsidies for the British Press should be accompanied by careful thought about safeguards of editorial freedom, says a report published to-day by Political and Economic Planning.

The report is based on a survey by Mr. Anthony Smith of Press subsidies in 13 European countries.

Mr. Smith found that all the countries subsidise their Press, mostly because governments believed a diverse Press was an essential part of their countries' political life.

"Each country which has in the present decade initiated discussion about the need for newspaper subsidies, or has instituted a set of subsidies, has done so in circumstances of extreme alarm.

"The closeness of the relationship between the party system and the Press structure in many countries has led to the assumption that the death or transformation of the Press will lead to the destruction of political freedoms.

"An objective Press, it is widely felt, requires to be a diverse Press, and that means that all sorts of enterprises which in economic an diechnical terms have been wiped out by their competitors must somehow be kept in existence."

The widespread practice of subsidising newspapers had not, so far, resulted in an erosion of editorial freedoms, partly because the institution of subsidies was accompanied by special safeguards of newspapers' independence.

"In all cases there has been grave heart-searching as to whether such a subsidy might defeat its own object and create avenues of government or official interference in content.

"In no country, however, in which such subsidies have been introduced has anyone complained that governments have interfered, or tried to interfere, more afterwards than before.

"In fact the countries with the most elaborate subsidy systems have often the strongest laws protecting journalism and the Press against Government interference."

In Britain however, there was insufficient public recognition of the dangers inherent in subsidies and the measures needed to guard against abuse.

The current proposal from the Royal Commission on the Press for a "one off" subsidy to help newspapers to reduce manning by buying more advanced technology, could lead to further subsidies in future.

"Subsidy is never the end of public involvement in a private medium. It is only the beginning, and no society should enter into the era of subsidies unless and until it is prepared to follow the whole thing through, to find ways to guarantee Press freedom permanently, to decide the formula for removing the private rights of owners, and deciding who is to exercise them, journalists, editors or public bodies."

Some of the schemes of subsidy operated on the Continent would not be easy to import to the U.K. because of the much larger circulations of many British papers.

There was a strong case for channelling subsidy towards helping newspapers to become more efficient, rather than helping them to survive with obsolete printing practices, said Mr. Smith.

* "*Subsidies and the Press in Europe*," by *Anthony Smith* (*PEP*).

FORMS OF SUBSIDY BY COUNTRY

Type of Subsidy	France	Germany	Italy	Sweden	Norway	Denmark	Finland	Holland	Belgium	Switzerland	Austria	Ireland	Britain
VAT concessions	●	●	●	●	●	●		●	●	●	●		●
other tax concessions	●			●									
direct grants	●		●	●	●			●	●	●			
low-interest loans	●		●	●	●	●							
postal concessions	●	●	●	●	●	●	●	●	●	●	●		●
telephone and telegraph concessions	●		●			●		●					
rail concessions	●		●		●			●					
transport subsidies				●	●								
government advertising			●					●					
training and reasearch grants				●	●	●							
newsagency subsidies	●		●	●	●								
subsidies to political party organisation				●	●		●						
subsidies for joint distribution				●									
subsidies for joint production				●									

HOME NEWS

STOCK EXCHANGE BUSINESS IN MAY

Equity turnover jumps to record £2.13bn.

BY GEOFFREY FOSTER

IERE WAS a strong upsurge the equity sector of the Stock change in May, when institu-nal demand pushed turnover a record £2.13bn. The previous ak of £2.08bn. was set in May, 72. There were three more ading days in May and this lped towards the rise from ril's £1.2bn.

The number of equity bargains se by 156,798 to 476,083, the hest monthly total since April 75, and the average value per rgain was £716 higher at 483. The FT turnover index Ordinary shares jumped in y to 350.9 from the 214.8 in ril and the 1976 average of 0.6.

Equity prices last month ad-nced to their highest levels for r years. Institutions provided main driving force, with ck shortage giving added im-tus to the rise.

Factors behind the buying in-ded an announcement that ther legislation will be re-red if controls on prices, fit margins and dividends are be extended beyond next gust, a good set of April trade ures, excellent preliminary re-ts from Courtaulds and a d first-quarter performance m ICI.

The FT Industrial Ordinary re index, from an end-April re of 432.8, bounded to a r-year peak of 477.4 on May then fell away to close the nth at 448.5 for a net rise of . Caution towards the end the month stemmed from cern about prospects after present phase of wages icy ends of July 31 and also feeling that the recent sharp fall in interest rates had come to an end.

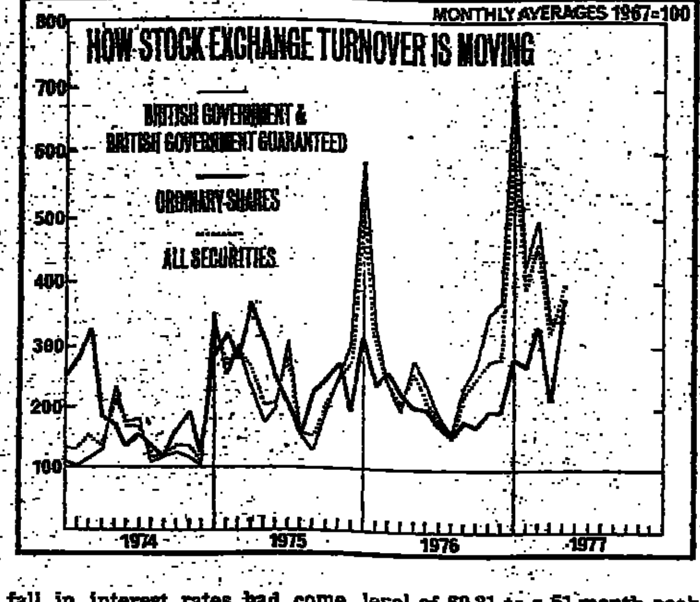
In contrast to equities, trading in gilt-edged securities declined slightly on the month by £40m. to £8.18bn. A fall of just over £1bn. in short-dated stocks business, to £4.6bn., was the main feature, turnover in other fixed-interest securities rising by £0.9bn. to £3.5bn.

The longer-end of the gilt market was particularly popular after the Government's decision to issue a £400m. tranche of variable rate stock which gave rise to the belief, since confounded, that no conventional "tap" stock would be issued in the near future.

The F.T. Government Securities Index rose from an end-April level of 69.31 to a 51-month peak of 71.48 on May 18, then came back on renewed inflationary fears and interest rate uncertainties to end the month 1.04 points lower on balance at 68.27.

The overall result was that total Stock Exchange turnover in May rose by £0.9bn. to £11.6bn., while the number of bargains jumped 173,652 to 611,919. The F.T. turnover index for All Securities rose in May from 325.2 to 394.5, which compares with January's all-time peak of 625.4 and the 1976 average of 271.8.

The F.T. Gold Mines index moved narrowly during the month, closing 1.4 points higher at 118.9 after extremes of 118.9 (May 30) and 102.1 (May 24).



Category	Value of all purchases & sales £m.	% of Total	Number of Bargains	% of Total	Average value per day £m.	Average value per Bargain	Average no. of Bargains per day
ish Govt. and British Govt. Guaranteed							
hort dated (having five years or less to run)	4,645.2	40.2	27,086	4.4	211.1	171,500	1,231
thers	3,536.4	30.6	47,973	7.8	160.7	73,716	2,181
Govt.							
hort dated (having five years or less to run)	327.1	2.8	1,600	0.3	14.9	204,428	73
thers	255.0	2.2	3,372	0.6	11.6	75,637	153
Local Authority	435.8	3.8	8,746	1.4	19.8	49,716	398
rseas Govt. Provincial & Municipal	35.3	0.3	1,932	0.3	1.6	18,266	88
d Interest Stock							
eference and Preferred Ordinary Shares	200.2	1.7	45,107	7.4	9.1	4,439	2,050
inary Shares	2,134.3	18.4	476,083	77.8	97.0	4,483	21,640
AL (Categories 1-8)	11,569.3	100	611,919	100	*525.9	*18,907	*27,814

* Average of all securities

APPOINTMENTS

Ultra Electronic Board post for Dowty executive

Mr. Derek J. Kingsbury, deputy chief executive of the Dowty Group, has been appointed to the Board of ULTRA ELECTRONIC HOLDINGS, following the acquisition of Ultra by Dowty. Before joining Dowty Group last year, Mr. Kingsbury was an executive director of Thorn Electrical Industries.

*

Mr. Hans Jacoby, a director of Cojana International, has become chairman of the CLOTHING EXPORT COUNCIL on the retirement of Mr. Jessel Harrison, who is now a vice-chairman of CEC.

*

Mr. L. Fitzgerald has been appointed by RYTRAC CONVEYORS to be chief executive of a new division which is to concentrate solely on the production and marketing of document handling systems.

*

Mr. Bob Wolff has joined SHAW CARPETS as U.K. sales director.

*

Sir James Henry has been appointed chairman of the FOREIGN COMPENSATION COMMISSION in place of Sir Ralph Windham, who retires at the end of this month. Mr. S. W. Magnus is to become a member of the commission from July 1.

*

Mr. David Gawler has been appointed treasurer of BURMAH OIL TRADING, the principal subsidiary of the Burmah Group.

*

Mr. Michael Turnor has become the new chairman of the council of management at LEICESTERSHIRE AERO CLUB, operators of Leicester Airport. Mr. Turnor succeeds Mr. Michael Goddard.

*

The DEPARTMENT OF ENERGY states that Mr. Ray Willmott, recently Under Secretary in charge of Continental Shelf (participation) division (CSP) has become head of the gas division in place of Mr. John Roberts, who is retiring. The new head of CSP is Mr. Robert Priddle, who was an assistant secretary in the division.

*

Mr. C. G. Draper has been appointed a director of LONDON DEPOSIT AGENCIES.

*

Sir Sigmund Sternberg has been appointed chairman of the NATIONAL SPEECH THERAPY DEVELOPMENT TRUST. Sir Sigmund is chairman of Commodities Research Unit.

*

Following the successful takeover of the LAND AND HOUSE PROPERTY CORPORATION by the Friends' Provident Life Office Mr. E. W. Phillips, of the Friends' Provident, has been appointed chairman of Land and House and has also been joined on the Board of the company by Mr. W. L. Stubbs and Mr. F. G. Cotton, also of the Friends' Provident. Three of the non-executive directors of Land and House, Mr. W. H. W. Wells (formerly chairman of the company), Mr. G. Q. Pollard and Mr. R. J. Webster, have resigned their directorships.

*

Mr. E. W. I. Palamountain is to become chairman of the M and G Group from the beginning of July and he will be succeeded as managing director by Mr. C. A. E. Fenn-Smith. Mr. D. L. T. Oppé is relinquishing the chairmanship at the end of this month but will remain on the Board.

*

Mr. Peter H. Katz, a director of the METTOY COMPANY, has been appointed managing director from July 1.

*

Mr. S. J. Robson and Mr. A. W. R. Cameron have been appointed to the Board of CAMREX (HOLDINGS).

*

Mr. D. W. Livingstone has been appointed deputy chairman of ALBRIGHT AND WILSON and continues as managing director.

*

Mr. Douglas Hillas, deputy chief executive of INTERNATIONAL TIMBER CORPORATION, has taken up additional responsibility as chief executive of the group's softwoods division, on the retirement of Mr. T. C. Clayton. He remains chief executive of the European division.

*

Mr. Leonard T. Percival has been appointed managing director of DONCASTERS SHEFFIELD from June 13. He has been with the Daniel Doncaster and Sons group for 29 years.

*

Mr. Herbert Walkinshaw has been appointed chairman of LYLE SHIPPING COMPANY and continues as managing director. Mr. William Nicholson has retired as chairman and from the Board. Mr. Alastair C. Hogarth, chairman of Hogarth Shipping Company, has joined the Lyle Shipping Board as a non-executive director.

*

Mr. Guy Naggar has been appointed a deputy chief executive of KEYSER ULLMANN HOLDINGS and KEYSER ULLMANN LIMITED with special responsibility for business development. Mr. Naggar, who has been on both Boards since 1967, continues responsible for the development of the group's international department and remains a director of Banque Keyser Ullmann en Suisse S.A., of Geneva, and Société de Banque et des Participations, of Paris.

*

Mr. Bernard Kaukas has been appointed to the new post of director — environment of the BRITISH RAILWAYS BOARD. A former chief architect of the Board and currently development director of BR's Property Board, Mr. Kaukus will co-ordinate the various departmental activities on the environmental front throughout BR.

*

Mr. D. J. Atkin, chief executive of Stanton and Staveley, and Mr. C. F. Chapman, director of the North Western Industrial Development Association, have joined the Midland and North Western Advisory Board of BRITISH RAIL.

*

The following Board appointments have been made in HAWKER SIDDELEY companies: Mr. J. M. Duber, deputy chairman of Brush Electrical Machines and continues as managing director. Mr. R. C. Ballantyne, a director of Brush Electrical Engineering, and Mr. S. Smith, finance director of Petter Power Generation and acting secretary. Mr. F. H. Wood and Mr. T. W. B. Sallitt, directors of Hawker Siddeley Group, retire from the Board of Brush Electrical Engineering and Mr. Wood retires from the Board of Brush Electrical Machines. Dr. D. L. Brook is now technical director of S. G. Brown.

*

Mr. J. A. Rodgers did not offer himself for re-election as a director at the annual meeting of STAG FURNITURE HOLDINGS because of health considerations.

*

Mr. T. R. Grieve has become chairman of NEWARTHILL in place of Sir Robin McAlpine, who remains on the Board.

Solar energy call for public buildings

THE GOVERNMENT should consider requiring all Government buildings, schools and hospitals to be fitted with solar water heaters to encourage British companies to invest in sun-based energy, a leading expert in the field said yesterday.

Britain was well up in solar energy research, Professor Brian Brinkworth of Cardiff University, said yesterday. He was announcing a major solar energy conference in July. Solar energy offered considerable export prospects as well as the opportunity of a real contribution to home energy needs by the end of the century, but there was a danger that Japan, Europe and the U.S. would overtake Britain.

Solar collectors providing hot water were already an economic proposition on large buildings, he said. And ordinary houses with good insulation they could pay for themselves in seven or eight years.

● NEWS ANALYSIS—DOMESTIC HEATING

It's cold comfort

BY DAVID FREUD

THE CRITICAL state of the domestic heating industry has been underlined by events at two large manufacturing concerns in the past 11 days.

The appointment of receivers at both Dimplex Industries and the Penrad Group is only the tip of an iceberg which encompasses merchants and installers as well as manufacturers.

Retailers Discount Heating Supplies crashed in February with total debts of £500,000 and Mr. Cyril Brown, president of the National Federation of Builders and Plumbers Merchants, said there had been more failures in the merchant industry in the last year than in the previous 10

While a few companies have managed to remain healthy, most have suffered severely since 1974. The market has contracted in the last three years, mainly because of the slump in housebuilding.

In the peak year of 1973, there were about 700,000 installations of central heating systems. Last year, this figure had declined to 500,000 and is expected to be no more than 450,000 in the current year.

The same story is reflected in value terms. The domestic market was worth £100m. in 1973 and was worth only £140m. last year at prices unadjusted for inflation—a real decline of about 15 per cent.

The decline is closely linked to the economic depression. People have been reluctant to invest in new systems due to rising fuel costs, pressure on incomes and increased mortgage rates.

The large movement towards installing central heating during the 1960s has worked through most of the better housing stock. This means that the new housing and local authority market, which took only a quarter of new installations through the 1960s has become relatively more important at just the time when new housing starts have been in decline.

A further blow to the central heating industry has been the severe cut in local authority home improvement grants.

The industry's margins have been under attack from two directions. The manufacturers are not getting enough volume at a time of rapidly increasing costs to keep their unit costs down, yet the market is tending to trade downwards.

The higher socio-economic groups installed central heating in the last decade, and installations are now being made in more modest homes.

Overheads

Package systems are being promoted at between £300 and £400, which allows a margin of about £50 for profits, overheads and maintenance under guarantee.

Ten years ago, despite the rate of inflation, the margin on each installation was a similar £50.

With pressures like these, it is not surprising that the weaker companies are finding difficulties. Those that specialise in one product are the most vulnerable.

Company	Owned by	Turnover	Products
Baxi Heating	Independent (private)	£11m.	solid fuel and gas-fired boilers
Myson Group	Independent	£36.4m.	heating, air conditioning, refrigeration, ventilating equipment, etc.
Potterton International, etc.	Birmid Qualcast	£20.6m.	boilers, electric storage heaters, time controls
Stelrad	Metal Box	£17.9m.	radiators, gas and solid-fuel boilers
Thorn Heating	Thorn Electrical Industries (85 per cent.)	—	gas-fired air heaters, gas and oil boilers, radiators
TI Domestic Appliances	Tube Investments	—	solid-fuel heaters, gas boilers, electric storage heaters and air warmers

Dimplex, which called in a receiver on Tuesday, specialised in electrical appliances. It had incurred losses totalling well over £1m. in the two years to March, 1976, after the collapse of the U.K. night storage heater market due to soaring electricity prices.

Penrad, which called in a receiver last week, was heavily involved with radiator manufacture, which accounted for nearly £1.5m. of its total £2m. sales.

There are fears in the trade that if any more companies get into difficulties—and rumours abound as to when the next collapse will be — the extent of competition will be seriously affected.

Six companies now dominate the market, according to the Heating and Ventilating Contractors Association, and several have suffered losses and reduced profits in the past year.

Another large company, Kirkby Manufacturing and Engineering Company, the workers' co-operative whose main product is radiators, obtained a further State grant of £860,000 in April, after an original grant of £3.9m. in January 1975.

The heating section of Birmid Qualcast, consisting of the Potterton subsidiaries, made a loss of £0.4m. in the 65 weeks to October 1976 on a £20.6m. turnover.

The figures for Tube Investments are difficult to disentangle from the domestic appliance sector where profit was down in 1976 at £1m. compared with £3.6m. in 1975. However, with a third of the gas boiler market, the company is doing fairly well in this field.

Myson Group profit fell back in 1976 to £1.09m. after £2.39m. in 1975. However, Myson is well diversified, with interests in heating, ventilation, commercial refrigeration, air conditioning and industrial heat transfer equipment. Overseas revenue alone totalled £10m. in 1976.

Both Baxi Heating, manufacturers of the successful Baxi boiler, and Stelrad, subsidiary of Metal Box, appear to be doing well, despite the difficulties.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ELECTRONICS

New cassettes to be offered by Philips

BASED ON the success of its digital cassette recorder, DCR 1, tens of thousands of which are now in operation throughout the world, Philips is introducing a whole new *range of* digital cassette recording equipment. All units fully comply with the relevant ECMA standards governing magnetic tape cassette *parameters and the methods of* recording, replaying and file structuring.

Market trends show there is an increasing need for a low-cost *data storage medium offering* serial registration without random access. It is the claim of Philips that its digital cassette technology offers the best cost-*to-performance ratio and that the* cassette medium will become an even more attractive alternative to such media as paper tape, punched cards and cartridge due *to the convenience of handling,* the compliance with ECMA standards and the low price.

The range comprises the DCR 3 digital cassette recorder which is also available without electronics and known as the DCT 3, two versions of the DCR 4 digital cassette recorder and two intelligent cassette terminals, types LDB 4101 and LDB 4201.

The DCR 3 succeeds the DCR 1 and can be used in all original equipment at present utilising the DCR 1.

The DCR 4 is a low cost, uni-*directional drive system available* in a write-only version (data collection for statistical purposes) and a read-after-write version (higher data integrity). CMOS *electronics* ensure low power consumption. To cater for OEM's wishing to integrate the Philips drive assembly into a system of their own design, the *DCT 3 provides a high quality* digital cassette transport.

Data logging requirements as met in applications like electronic cash registers and auto-*matic test and measuring* systems, can be solved with the LDB 4101. This is a write-only cassette system.

LDB 4201 is a read-after-write cassette input/output system available in serial, current and parallel interface versions. Higher data integrity through an error correction system together with micro-processor control permit the LDB 4201 to be used in on-line and off-line data entry and data preparation applications.

Philips is also investigating the possibility of using mini-cassette drives for recording digital information.

Further details from Philips at POB 523, Eindhoven, The Netherlands.

● METALWORKING

Matching tools and presses

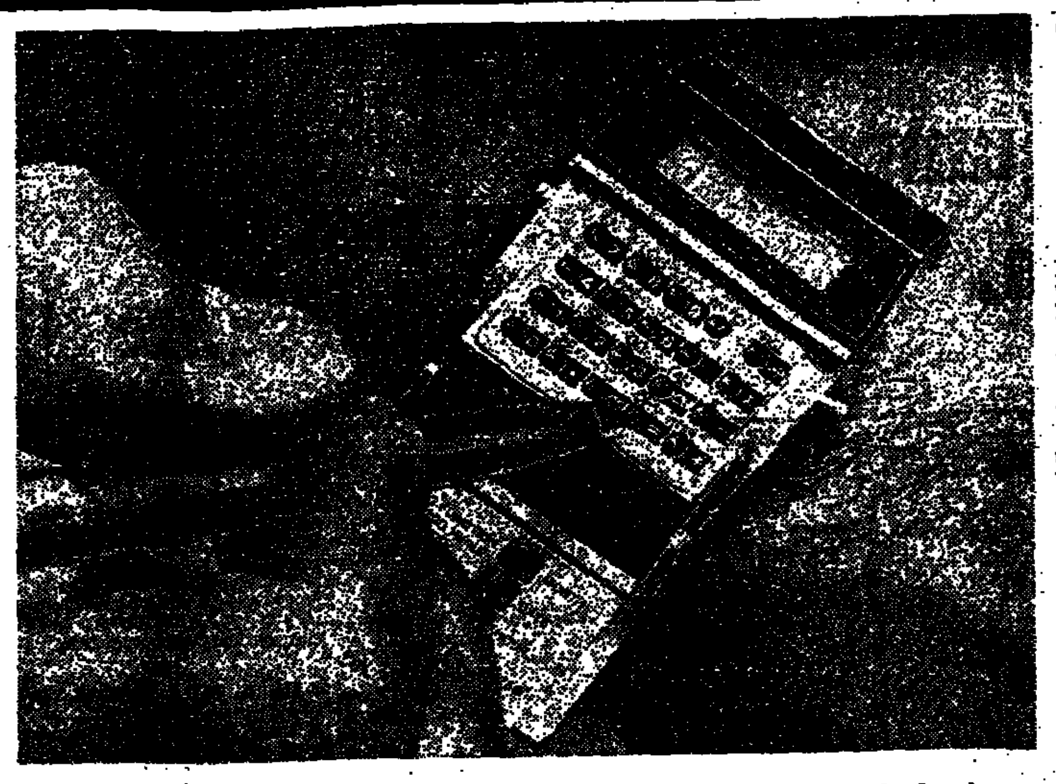
PRESSES complete with tooling are being offered on a package *deal basis as a service to users* who have only limited toolmaking facilities.

P. J. Hare of Wrington is offering the arrangement as a sequel to its acquisition of Wavern Designs. It will help *customers to avoid complications* by ensuring that tools made by outside sub-contracting toolmakers are properly designed for the characteristics of the press in use.

For some years, Wavern has *specialised in* design and production of press tools and special purpose machinery for assembly and second operation work and a great deal of the *company's effort* centred in Hare presses.

Advantages of an integrated press and tool facility are clear. At the quotation stage, liaison between designers in the two companies will ensure a better match. After manufacture the presses can go to the Wavern facilities where tooling will be assembled and tested so that the press can be delivered to the *end-user as a finished product.* The production engineer in the company taking the service will thus not have the worry of marrying tool and press made by *separate* companies.

Further *information* on the *service from* P. J. Hare, Wrington, Bristol BS18 7NL.



First combined scientific "slide-rule" calculator and digital watch on the market to use liquid crystal *display techniques* is the unit shown above, designed as a demonstration project by National Semiconductor engineers. Two programmable large scale integrated circuits are behind the development, enabling the unit to provide a six digit continuous display of hours, minutes, seconds, month/date calendar, AM indicator and dual night viewing lights. The calculator section offers scientific notation, trig and log functions and the keyboard is activated by pen or pencil, the first touch of any key switching out the watch display without interfering with the timekeeping function. At the end of a calculation the first six significant figures are shown, the next six being called up if required at the touch of a button. The keyboard is also used for setting the watch and it can be employed to store a telephone number, a price or whatever in memory. An alarm function has been built into the unit though it has not been fully implemented with an indicator. And as the operation of the calculator is conducted through a read-only memory, redesign for financial, statistical or other types of calculations is a matter of reprogramming and changing the notations on the keyboard. National on 0234 211262.

Slides from disc store

ONLY of interest for the time being to professional broadcasters due to its cost—but a clear enough portent for the growing photography — electronics contention in consumer areas—is a system from the U.S. that allows, in effect, 400 colour slides to be recorded and played back from magnetic discs.

In the Arvin Echo Frame-Stor system, offered in the U.K. by Crow of Reading, each complete frame is recorded on a separate track of a double-sided interchangeable flexible magnetic disc which can store up to 200 frames on each side—the equivalent of 400 colour slides. Recording is direct from a camera without any kind of processing and playback of any one of the frames on one side is by pressing some buttons on a numeric keyboard. Alternatively the machine can be set to replay a sequence of tracks in numerical order under either manual or automatic control.

The equipment is fully compatible with broadcast television *systems conforming to CCIR* standards and can record and replay fully encoded colour television signals in PAL or SECAM.

It also has none of the bulk *associated with most conven*tional machines that do a similar job, such as flying spot scanners, telecine and slow-motion videotape devices. It packs into a small suitcase *and at 38 lb is easily* transportable and ideal for use in the confined space of an outside broadcast vehicle. More from the company at P.O. Box 36, Reading, RG1 2NB (0734 595023).

Pulse generating unit

UNIVERSAL pulse generator PM 5716 for use in most C-MOS, TTL, and analog applications, *has been introduced by Pye* Unicam.

It has 20V *maximum pulse* amplitude and a range of transition times, continuously variable between 6ns and 100ms. This is more than adequate for to-day's C-MOS logic and with a 50 MHz repetition rate, is able to cope with any faster logic that may become available. It allows PM 5716 to be used not only with C-MOS, TTL, RTL, DTL, but also with *analog devices such as* operational amplifiers, etc.

Pulse characteristics are set to the specification of the logic manufacturer, using independent sliders. A mechanical lock prevents the output pulse exceeding 20V maximum anywhere over the total —20V to +20V range. The device under test can be safeguarded from excessive pulse amplitudes by using the built-in limiter.

More from Pye Unicam, York Street, Cambridge. 0223 58866.

● PROCESSES

Dipping plant

A VERTICAL dipping plant for the application of protective coatings and *adhesives to a wide* range of components has been developed by Berridge Engineering, Queens Road East, Beeston, Nottingham (0602 258291).

In its simplest form, it comprises a dipping tank with a twin blade agitator *driven by an air* motor, a variable speed endless conveyor, and totally enclosed flash off and drying sections with a high velocity air flow.

It can be used as a single production unit, or as part of a pro*duction line. If used as a single* unit, the components are loaded manually on to flight bars, which can be spaced to fit the product. Speed of the conveyor is adjusted to suit the type of finish required. Only one operator is *needed.*

Ovens can be provided with hot air recirculation or convection, using electricity, gas, oil or steam as the heat source.

● SAFETY

Sees onset of fire

PUT ON the market by Bowcom Electronics is the Helios self-contained detector unit which is able to sense the imperceptibly small concentrations of atmospheric impurities that occur at the earliest stages of combustion, *before either visible smoke or* heat become apparent.

The detector is an ionised air type powered by an internally-housed nine volt alkaline battery and equipped with a built-in electric horn which continues to sound until the smoke clears. No external connections are required and the unit, which is 180 mm in diameter, can be installed in the home or office in a few minutes.

It is also suitable for use in cabin boats and caravans where fire can be a serious hazard.

The battery lasts for about a year but with *impending exhaustion* the unit fails safe by emitting an intermittent sound at least ten days before the voltage falls below the minimum operating level. There is also a push-button operational check. More from Hantscon House, Winnal Close, Winchester (0962 67355).

● COMPUTING

Easy fault recording

THE task of providing data from heavy vehicle goods testing stations so that it can easily be fed into the Department of Transport's ICL 1904 computers has been simplified by the use of optical mark reading.

Results of the million or so tests conducted each year are *now to be recorded on a simple* form containing 150 possible marking positions denoting features relevant to pass or failure. Thus the test engineers can do the paper work on the spot using no more than a felt tipped pen.

The method is apparently regarded by the Department as superior to key-to-disc and the decision has been taken to purchase a Data Recognition 8300 to process the forms and field data *in form that can go straight into* the computers via 1600 bpi magnetic tape. Main advantage of the technique is that the data needs no preparation and can be fed to a machine in its "raw" form. More from Loverock Road, Battle Farm Estate, Reading, Berks (0734 598511).

In-1600 is built up from memory, control and buffer cards. A single control card can drive up to eight memory cards producing a total of 512k x 18 bits. It is possible to expand either the number of words or the length of the words by using *buffer cards to drive extra* memory units. Access time is 330 ns, cycle time 550 ns and the modes of operation include read, write and read/modify/write. More from Intel at 4 Between Towns Road, Cowley, Oxford, OX4 3NB (0865 771431).

Statistical packages

AVAILABLE on the group's ICL 1906S computer, STATICE is a comprehensive collection of routines offering computer facilities for observation data to be processed in various types of calculations and analyses. It is ideal for use by market and operational research executives, statisticians and mathematicians.

Available from Computerline, the major multi-access bureau which operates in association with the Plessey Company offers both simple routines, which produce a single *solution, and com*plex routines offering the user many choices.

STATICE has been designed for maximum ease of operation. It can be used from the users own premises via a terminal and a *standard telephone line.* Another feature of this package is that batch mode processing, using the same routines, is available for large volume data and *analysis not requiring interaction.*

Computerline has designed STATICE so that calculation or analysis can be performed simply. The use of any routine is invoked by typing the keyword *for the required routine and fol*lowing this with the parameters.

Computerline (Plessey Company), Station Road, Addlestone, Weybridge, Surrey KT15 2PW. *0932 40298.*

Two new memories

INTEL has announced a pair of memory systems, one for use where non-volatile assurance is essential, the In-8100, and another for OEM applications needing capacity in excess of 128 kilobytes, the In-1600.

The non-volatile unit can store 4,096 bytes and will retain data for a minimum of 96 hours after power supply failure. It contains a nickel cadmium battery *and an interface which senses* loss of power and puts the memory on standby power. An array of the company's 5101 CMOS static random access chips *is used.*

● HANDLING

Fillers for sticky food

EASY TO CLEAN filling units from National Instrument Company, marketed in the U.K. by Hartfield Machinery — part of Cowan de Groot—are designed so that all mating parts can be assembled or disassembled by simply inserting one in the other and twisting. No threaded parts are used.

"Quik-Loc" units are particularly easy to disassemble and clean after completion of a production run. They will dispense accurate, preset volumes of any liquid product, including clear liquids, suspensions, and products containing semi-solids such as meat sauce, pizza sauce, apple sauce, etc. Ten sizes are available to cover a range from 0.1cc to *1000cc.*

They have self-priming piston type metering pumps, and will dispense from a floor level drum, an overhead reservoir or a pres*surized source.*

The units can be powered from any rotating or reciprocating drive and all parts in contact with the product are in stainless steel.

More from the company at 2/3 Queen Mary's Works, Watford, Herts. Watford 25978.

● SERVICES

Keeps track of valuable equipment

BANISTER PRICE Services which provides support to pipeline engineering contractors Banister-Price International, is using a computer service from CMG Computer Management Group (Southern) to track the location and value of millions of pounds worth of equipment used in its operations all over the world.

The parent group, which has won major contracts in the oil, gas and energy-related spectrum, is currently active in the Middle East. During the last two years it has laid some 500 miles of oil pipeline in Iraq.

Much of its equipment is highly specialised, very expensive, and carries heavy insurance. The company must have full statistical information on all assets ranging from track tractors, dragline buckets and fuel tankers to steel buildings, living accommodation and office equipment.

The assets register developed by CMG consultants allows it to maintain comprehensive records. Each month a bureau computer search *gives details* of equipment such as model number, description, capital cost, monthly and accumulated depreciation and the new book value.

More from CMG *on* 01-886 55[illegible]

● COMPONENTS

U.S./Europe connection

BELLING-LEE has a mains lead having a European moulded free connector on one end and an American standard three-pole moulded plug on the other, so enabling European electrical appliances exported to North America to be connected directly *to the mains supply.*

The American standard moulded plug is designed to meet UL 498 and CSA C22 No. 21 specifications and the European standard free connector conforms to CEE 22 (IEC 320) specifications. The standard assembly is supplied with 2m of pvc sheathed flexible cable approved to UL-NR E28[illegible] *although other* lengths of cable can be supplied to special order. The assembly is rated at 6A, 2[illegible] V ac.

Great Cambridge Road, Enfield, Middx. EN1 3RY. 01-36[illegible] 5393.

● TELEVISION

Teletext decoder

A NOTABLE reduction in the cost of displaying the BBC and ITV Teletex *transmissions* on a domestic television receiver can be realised using a kit offered by Videocraft of Elverton Street, London SW1P 2QR (01-828 2731).

For £180 (ex VAT) the company will supply an assembled and *tested Texas Instruments* Tifax module, power supply and interface module in kit form, an assembled and tested cable-connected remote control and complete *instructions* for installation in most common television receivers.

The company claims that because the interface circuit is connected directly to the TV *set's video section* the picture quality is much better than with designs where connection is at rf via the aerial socket.

Facilities include seven colours, upper and lower case characters, graphics, time coded display with newsflash and subtitles inserted in the TV programme picture. Videocraft can also supply a more complex version offering more facilities, or for example, a complete Ferguson 3732 set with PIL tube and remote control *for* £470 plus VAT at 12½ per cent.

● COMMUNICATIONS

No exchange required

AN INTERNAL *telephone* exchange, which eliminates the need for trying to locate a person on different extensions, has been developed by Mr. Dan Nissani, a 26-year-old student at Ben Gurion University of the Negev, *Beersheba, Israel.*

The system is based on a single trunk, or coaxial cable from which all calls are directly transferred to the required extension without the need for a central exchange. Each person in the *factory, or hospital,* is assigned a code number. When he goes to an office other than his own, He feeds his code number into the extension there, whereupon *all* calls to his office are automatically transferred to the one he is visiting.

Each extension within the system can register up to eight *code numbers, one* of which lights up when a call is received, thus indicating for whom it is meant.

Danger of a central failure rendering the entire system inoperative is greatly reduced *is is claimed. If there is* damage to the coaxial cable, subscribers on either side of the fault will still have uninterrupted communication within their section of the line as long as the *individual* communication unit is undamaged.

Estimated production cost of the system is about $200 per unit.

AEL, an Israeli subsidiary of AEL of the U.S., has contracted *with the University Research* and Development Authority to develop and produce the system, patents for which are now being sought.

LABOUR NEWS

Heathrow engineers to miss shifts from next week

BY NICK GARNETT, LABOUR STAFF

[H]EATHROW maintenance engineers whose dispute with British Airways over shift pay seriously affected flights earlier this year look certain to start a series of potentially disruptive stoppages from next week.

A mass meeting yesterday of the 4,000 engineers voted overwhelmingly to start the action unless the airline came up with a better offer by to-day. British Airways said however, that the offer it tabled yesterday morning would be its last.

The engineers decided to start an overtime ban immediately, although this will not affect flights. They are timing their stoppages to start on Thursday, so holiday week-end services will not be disrupted.

The action will involve each maintenance worker missing one of his shifts every week with the stoppage cycle taking 40 hours to work through. This will be repeated every week, say the engineers, until British Airways comes up with an acceptable offer.

The management was meeting late yesterday to discuss how the stoppages, involving more engineers missing work than actually working during the 40-hour periods, will affect flights.

Confusion

"It's impossible to tell at the moment what effect the stoppages will have," the airline said.

There was still some confusion last night about the offer which the engineering shop stewards put to the men.

British Airways said it tabled an improved offer yesterday morning at the wages sub-committee of the engineers' national sectional panel while the maintenance engineers' shop stewards were not there.

The company said it appeared that the mass meeting was offered only the old offer. "As far as we are concerned the new offer meets what they were looking for."

The airline offer involves shift payment increases ranging from £4.20 to almost £12 per week.

One of the engineers' five shop stewards, Mr. Keith Harris, said: "The airline's offer is totally unacceptable and we condemn its procrastinating tactics." The stewards warned they will ask shift workers in other Heathrow unions to join the stoppages.

QE2 passengers carry their own baggage

WEARY QE2 passengers sailed out of one dispute yesterday and into another. After nine hours in the Solent because the vessel was being "blacked" by shipyard workers, they docked at Southampton to find stevedores had stopped work 35 minutes earlier as part of an overtime ban.

The stairwells and decks near the gangways were a jumbled mass of suitcases and bodies as the 1,600 passengers queued to get off the giant liner.

Captain Lawrence Portet apologised to passengers over the loudspeaker system. He explained that because of the stevedores' ban on overtime — over a long-standing pay dispute — it would be necessary for them to move their own baggage and appealed to them to help elderly passengers off the ship.

Workers at Vosper Thornycroft "blacked" the QE2 in a dispute over Cunard's decision to put the vessel into a U.S. yard for her annual refit. After a meeting of shop stewards the blacking was provisionally lifted for two weeks.

Mr. Peter White, a shop stewards' leader, said Cunard had given provisional guarantees of extra work for Vosper's. The liner is scheduled to leave for New York to-day. Cunard officials are hopeful she will leave on time.

Sullom Voe dispute may end this week

By Nick Garnett, Labour Staff

THERE WERE further hopes yesterday that the dispute which has halted construction of the huge British Petroleum oil refinery at Sullom Voe, Shetlands, will end this week-end.

More than 400 workers employed by LJK, the main contracting consortium operating at the site, are prepared to return to work after a meeting with officials from the Transport and General Workers' Union earlier this week.

The union's construction industry co-ordinating officer, Mr. Tom McCalmont, was due to meet shop stewards representing the 800 workers employed by other contractors involved in the 400m. project early to-day.

The dispute blew up ten days ago over a range of issues including end-of-contract payments and camp conditions.

Talks on th men's grievances have been promised by the contractors and union officials hope shop stewards at to-day's meeting will recommend a return to work.

One major problem in trying to reach a solution has been the organisation of the Transport and General at Sullom Voe into separate company-based units with their own shop stewards.

The oil terminal, which will be the biggest in Europe, is scheduled to start operating from the spring of next year.

Employers urge sweeping pay bargaining reforms

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A WIDE-RANGING series of proposals for reforming the way that Britain's economic policies are decided and the methods used by employers and unions to carry out their wage bargaining were launched yesterday by the Confederation of British Industry.

Contained in a discussion document called "The Future of Pay Determination," they range from setting up a national economic forum linked with Parliament to cutting down the number of wage bargaining units and examining basic statutory and voluntary relationships between employers and unions.

In a foreword to the document Lord Watkinson, CBI president, says: "We cannot go on as we have been doing. We must have change if inflation is to be beaten back and real living standards are to rise again."

According to the CBI the present system of wage bargaining has failed and has led to inflationary pay settlements and low productivity. Among the changes it recommends are:

- Firm action by the Government in controlling its own public expenditure, the supply of money, and as a pay bargainer employing 7m. people in the public sector.
- A "national consensus" to be achieved quickly on what the country as a whole can afford in pay increases which would be reflected in the Budget.
- A major overhaul of bargaining arrangements in the private sector, including ultimately telescoping the bargaining round into a period of three to four months.
- A new and extended look at how the balance of bargaining power between employers and unions has been affected by legislation and the social security system.

Power shift

The CBI says that since the war Britain has consistently increased pay faster than our productivity. This in turn has meant higher prices and lost markets. Successive Governments have tried to deal with the problem by incomes policies, which have at best merely alleviated the symptoms.

"For a number of reasons there has been a major and fundamental shift in the balance of bargaining power," it says. "Instead of being a reasonable compromise between the parties, settlements are too often considered satisfactory only by employees and their trade unions, and then only for a short while."

The document describes the CBI's aims as developing "a system where bargainers are free to reach any agreement they wish but in which there is much greater understanding of the economic constraints and the choices available."

The responsibility for reaching non-inflationary pay settlements must be placed firmly where it should be—with the bargainers, says the CBI.

"To reach this position will take time. It will take time to change bargaining and pay structures and to telescope the bargaining round: it will take time to develop arrangements at the centre with the necessary expertise and authority.

"The distortions and anomalies of the present pay policy will present additional difficulties to be overcome. Nevertheless it is important that we make a start now, and not be discouraged by any initial setbacks.

"The first step—and we would hope this could be done within a few months—is to reach broad tripartite agreement on the desired direction of change and the actions that need to be taken by the three main parties to achieve it.

"The next step will be to decide how the timing of our proposals fits into the calendar year. We have stressed that there needs to be a close relationship between the process of reaching some consensus at national level, the Budget and a short bargaining round.

"There are a number of possible options. One way would be keep to the traditional timing of the Spring Budget and follow this with the main period of pay bargaining. However, this would clash with the union conference season and present severe logistical problems.

"A second option would be to change the timing of the Budget to late November or early December, thus placing the bargaining period between January and April. Again there are a number of difficulties in shifting the timing of the Budget although these need not necessarily be insuperable.

Timetable

"Yet a third option would be to change the order of events and place the pay bargaining round between the period of reaching consensus on broad economic objectives and the Spring Budget. This, too, has its disadvantages, but in the short term could be the easiest to accommodate with the minimum of change.

"Having decided the timing within the calendar year, the third step would be to establish the necessary institutions — or adapt and strengthen existing ones — and produce a timetable for implementing the new system. At the same time, pay settlements would be negotiated so that renewal dates would thereafter fall within the agreed bargaining period."

The CBI says that the next stage of pay policy should have three objectives—to help reduce the rate of inflation to that of Britain's most successful competitors; to remove some of the distortions and anomalies which are threatening the industrial relations' climate; and to improve industrial efficiency.

"These objectives suggest that the total addition to the national pay bill in the next 12 months must be lower than in the first two years of the policy; and that flexibility or efficiency payments should be controlled and as far as possible financed by higher production," says the document.

"If the Government agrees with the TUC that pay limits should be higher than this, and by its action in the public sector makes it impossible for the private sector to negotiate lower settlements, it must do so in the clear knowledge that, as a result, our inflation rate will not be reduced to that of our main competitors in 1978 and that unemployment will be higher than it otherwise would be.

"We do not believe that if presented with the choice the country would choose higher prices and fewer jobs rather than a further period of pay restraint; but nothing would be more damaging to the long term than an agreement between the Government and the TUC on pay which pretended that the choice did not exist.

"Widespread recognition and understanding of this inescapable fact would be an important first step in bringing about the changes that are required."

The CBI says that the Government's role in creating a "national consensus and understanding on what the country can afford is fundamental."

Britain at present has no arrangements for producing agreement on the economic facts of life, so the first step should be to set up a mechanism to do this involving the Government, employers, unions and possibly independent experts, says the document, which explores methods used in Germany and Austria.

It adds: "The next stage is for Government, with the CBI and TUC and perhaps other interested parties, to consider the implications for policy arising from the economic analysis. The forum for this could possibly be an adapted National Economic Development Council or a completely new arrangement; but whatever the forum and its composition, it is important to avoid Government domination.

"The staff should be independent and the chairmanship rotated between the participants. Equally it is crucial that it should have a life beyond a particular Parliament.

"There are obvious constitutional implications if the influence that bodies such as the CBI and TUC already exert on Government were to be formalised in this way. For this reason, and because not all affected by pay bargaining would be represented within such a forum, it is important that Parliament should be closely involved throughout the period of discussion."

At the beginning of its document the CBI traces the history of past attempts to operate incomes policies and concludes: "Some people argue that the pay policies themselves have been inflationary. But there can be little doubt that in recent years the balance of bargaining power has tilted in favour of organised labour.

The change in the balance of power meant that companies least able to afford high pay rises were faced with a choice between "short-term bankruptcy and living to fight another day." The "personal cost of going on strike," because of PAYE rebates to strikers and social security payments to their families, had reduced the need for unions to pay strike pay.

But despite all this, the CBI says it does not believe that labour legislation itself would be likely radically to improve pay bargaining, and could instead lead to increased industrial disruption and less industrial co-operation. Nor does it think, on balance, that changing arrangements in the "emotive area" of social security payments for strikers' families would be of much advantage.

Instead, the CBI advocates plans to reduce competitive bargaining between groups of workers: "Within individual plants or companies, or across industries where applicable, there should be restructuring of bargaining arrangements to reduce competitive bargaining by groups of employees. These changes should be consolidated by collective action by employers to synchronise settlement dates for employees in different companies or industries who are able to make comparisons with each other.

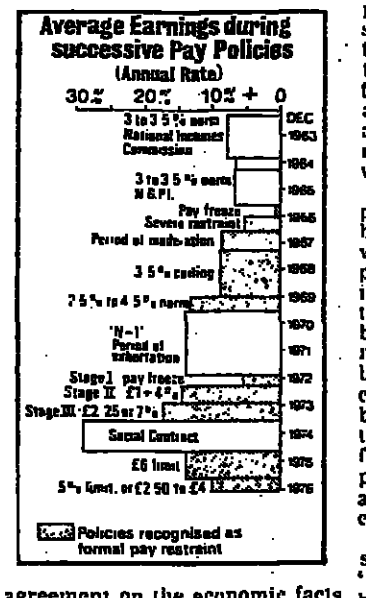
"There should also be a significant compression of the 'pay round' so that most bargaining is conducted at broadly the same time and against the same economic background. Finally, where companies there needs to be close examination of pay structures to ensure that the benefit of changes in bargaining arrangements is not eroded after a satisfactory bargain has been struck."

Weakness

But, the CBI adds, such changes will not succeed unless employers are determined and committed and are prepared to act, both individually, and together.

"Greater employer strength is also necessary if employers are to be effective at national level" says the document. "At present, employers are a weaker party and are unable to exert sufficient influence on economic policy."

"The Future of Pay Determination. A Discussion Document," CBI, 21, Tothill Street, S.W.1. Price £1.50



Policies recognised as formal pay restraint

Equality pleas blunted by jobs fear

By Our Labour Staff

[HI]GH UNEMPLOYMENT may make individual women reluctant to complain about sex discrimination for fear of losing their jobs, the Equal Opportunities Commission says in its first annual report published yesterday.

"In conditions of stringency, a plea for equality is sternly resisted on the grounds that there is no merit in robbing Peter to pay Pauline."

Ennals rejects hospital claim

David Ennals, Health and Social Services Secretary, yesterday stepped into the London hospital dispute with a firm statement that the ancillary staff's overtime pay claim could not be met as it would infringe incomes policy.

Little hope of settlement in Chloride dispute

BY PAULINE CLARK, LABOUR STAFF

MEETINGS OF 3,800 strikers at the Chloride Group battery manufacturing plants yielded no prospect of an early return to work.

A statement by the group yesterday said the three-week-old strike was preventing any production of lead acid batteries by the group's automotive division. The cost of lost production was estimated at £3m. so far.

The strike, which was made official earlier this week by the Transport and General Workers Union and by TASS, the staff section of the Amalgamated Union of Engineering Workers, is probably the biggest in the country at the moment. Workers have occupied all three of the group's major car battery producing divisions in Manchester, Dagenham and Chessington.

This is the first major industrial dispute in the group's history. It does not appear to have had a big impact on the vehicle manufacturers the company supplies, however.

A spokesman for Ford at Dagenham said no effects were expected in the forseeable future, although any impact this week might have been cushioned by a temporary halt in production at its Dagenham assembly plant because of a fire evacuation.

Both sides seemed yesterday to have become more deeply entrenched in their separate positions. The management said the main issue was a disagreement over a productivity scheme. The strikers said the trouble stemmed primarily from "complete breakdown in industrial relations."

Productivity arrangements at Chloride have developed into a major problem which threatens to serve as a timely warning to trade unionists and Government in the debate about the Phase Three economic and pay strategy.

Mr. Bob Wheatley, TGWU convener at the Dagenham plant, said yesterday in a briefing for local Labour MPs productivity in terms of volume could not be the only factor in determining bonus payments to shopfloor workers when "the efficiency of management plays just as large a part in dictating final output."

The strikers say they are not being sufficiently compensated when failing to meet productivity targets because of events beyond their control.

Bristow helicopters trouble over

By Alan Pike, Labour Staff

MR. ALBERT BOOTH, Employment Secretary, last night announced the end of the six-weeks long Bristow Helicopters dispute and the establishment of a wide-ranging court of inquiry into its background.

The inquiry will meet under Lord McDonald, a Scottish judge, in either Edinburgh or London, with the first meeting scheduled for June 29.

Agreement for the inquiry was reached after five hours of talks between Mr. Booth, Mr. Mark Young, general secretary of the British Airline Pilots Association, and Mr. Alan Bristow, chairman of Bristow Helicopters.

Under the terms of the agreement, the union has not made reinstatement of a pilot whose dismissal after refusing an overseas transfer started the dispute or other pilots who subsequently lost their jobs, a condition of taking part in the inquiry.

But rulings of the court will be binding on both sides.

The inquiry—under the 1919 Industrial Courts Act—will be the first which the present Government has established outside the auspices of the Advisory Conciliation and Arbitration Service, although Mr. Andy Kerr, chief conciliation officer of ACAS, was present at last night's talks.

Judge stresses law on union certificates

BY OUR LABOUR STAFF

PARLIAMENT AND no one else was responsible for the law determining whether unions qualify for certificates of independence under the Employment Protection Act, a High Court judge stressed yesterday.

Mr. Justice Kilner Brown, sitting at the Employment Appeal Tribunal, commented: "We have to apply the law as Parliament makes it and not as we think it ought to be or as anyone other than Parliament thinks it ought to be."

There appeared, said the judge, to be a misconception in certain quarters about the powers of the Certification Officer, Mr. John Edwards. "Neither he nor we are here to propagate the view of the employers or the trade union movement."

Mr. Justice Kilner Brown was explaining the Tribunal's reasons for allowing an appeal by the non-TUC-affiliated Hawker Siddeley Dynamics staff association at Hatfield, Herts., against refusal of a certificate.

Parliament clearly recognised the right of a group of individuals to band together but would not tolerate the recognised and certified existence of a band of people "claiming to be an independent trade union when in reality they were unable to offer a vigorous challenge to the employers."

Press views sought on worker directors as decisions near

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A WARNING that the Government would have to make decisions on its Bullock White Paper very soon was issued yesterday by Mr. Edmund Dell, Secretary for Trade, when he raised with newspaper owners the question of whether the Press should have special treatment in any legislation.

Addressing a Newspaper Society conference, Mr. Dell suggested that the "broad social role" of the media added an extra dimension to the Bullock debate, and said that he was awaiting a statement on the possible special position of the Press from the Press Council.

The Council will not be sending him any views. Following an informal meeting of its members on Tuesday, its chairman, Lord Shawcross, has written to Mr. Dell indicating that it would not be possible for the members of the Council to reach a consensus view.

Last night Lord Shawcross said that because of the varying views held by the constituent bodies of the Council, which include newspaper and periodical owners, editors, and journalists, and because of the varying effects that the Bullock Report would have on them, it had been felt better to leave those involved to put their own views.

Now it is assumed that organisations such as the Newspaper Society, the Newspaper Publishers Association and the National Union of Journalists will consider putting their ideas to Mr Dell on whether the introduction of worker directors into newspaper companies would endanger Press freedom.

With a White Paper due to be published by the end of the present Parliamentary session, Mr. Dell stressed in his speech the need for urgent decisions. He also indicated his own preference for introducing some formal participation arrangements below board level, as well as legislation on worker directors.

While the Government had never formally accepted or rejected the Bullock Report, there would be legislative provision for effective worker director systems.

But, Mr. Dell added, "what I derive from the views put to us from industry is that the time is ripe for purposeful development of effective consultation leading over time to forms of co-determination according to circumstances."

- Mr. Jack Jones, general secretary of the Transport and General Workers' Union and a strong supporter of the Bullock proopsals for putting workers on the Boards of companies, said yesterday that it was better for implementation in private companies to be delayed than to have "half-baked proposals."

Apaprently reconciled to the Government producing watered-down legislative proposals in its promised White Paper, he said that unions should press ahead in the nationalised industries first.

"We are opposed to any emasculation of the Bullock recommendations to meet the present political alignments in Parliament," he said.

Kirkby workers continue fight

REDUNDANCY NOTICES served on workers in the Plessey telecommunications group on Merseyside take effect from to-day, but the sit-in of about 200 Electricians' Union members at the doomed Kirkby factory is to go on.

It is a last ditch-bid by the workers who are operating a round-the-clock occupation to get a better golden handshake or improved job redeployment conditions.

It is not yet known what action the company plans to regain possession of the premises which, along with the Speke factory, officially ceases manufacturing to-day.

APPOINTMENTS

BUSINESSES FOR SALE

BUSINESSES WANTED

LEGAL NOTICES

No. 001612 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of VANTAGE CHOICE LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 12th day of May 1977 presented to the said Court by MANPOWER LIMITED whose registered office is situate at 70 Cornhill Avenue, London, Wall, London, E.C.2. and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 20th day of June 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

HERBERT OPPENHEIMER, NATHAN & VANDYK,
20, Copthall Avenue,
London Wall, London E.C.2.
Ref: GWS/MP 491
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 17th day of June 1977.

No. 001587 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of MAREWILLE LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 5th day of May 1977 presented to the said Court by LEE ELECTRIC (LIGHTING) LIMITED whose registered office is situate at 128 York Road, Wembley, Middlesex, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL on the 20th day of June 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

D. J. FREEMAN & CO.,
9 Cavendish Square,
London, W1M 0DU.
Ref: DPR/[illegible]
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 17th day of June 1977.

No. 001591 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of SCREED FORCE CONTRACTORS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 10th day of May 1977 presented to the said Court by BUTTERLEY AGGREGATES LIMITED whose registered office is situate at RMC House, 31-33 High Street, Feltham, Middlesex, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 20th day of June 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

YOUNG JONES GOLDING PATTERSON,
2 Suffolk Lane,
Cannon Street,
London EC4R 0AU.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 17th day of June 1977.

IN THE MATTER OF THE COMPANIES ACT, 1948
IN THE MATTER OF MILNER CHURCHILL LIMITED

Registered Office: 4 Blossoms Heart Yard, London EC1N 8SP.

NOTICE IS HEREBY GIVEN pursuant to section 293 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named Company will be held at the offices of [illegible] on [illegible] 1977 at 11.15 a.m. for the purposes mentioned in sections 294 and 295 of the said Act.

Dated this 26th day of May, 1977.
By Order of the Board.
[illegible]
Director.

CORPORATION LOANS

COMPANY NOTICES

COMPAGNIE FINANCIERE DE PARIS ET DES PAYS-BAS

NOTICE TO SHAREHOLDERS

Following a Resolution passed at the Ordinary General Meeting held on 1st June 1977, a dividend of Frs.13.50 per share of Frs.100 nominal for the year ended 31st December, 1976 will be paid as from 8th June, 1977 as follows:—

Bearer Share Certificates

Against presentation of Coupon No. 187, residents of the United Kingdom will receive Frs.11.94 per Certificate of Frs.100 nominal. (See Settlement of Additional Payments below).

Coupons will be paid at the rate of exchange ruling on the day of presentation.

Bearer Deposit Certificates

Against presentation of these Certificates for marking at Square No. 4 residents of the United Kingdom will receive Frs.0.552 per Certificate of Frs.5 nominal. (See Settlement of Additional Payments below).

Certificates will be paid at the rate of exchange ruling on the day of receipt of the dividend on the corresponding underlying shares deposited in France.

Settlement of Additional Payments

Under the terms of the Double Tax Convention between France and the United Kingdom residents of the United Kingdom will receive, subject to completion of Form RF-4GB, on or after 15th January 1978 an additional Frs.6.9175 per Bearer Share of Frs.0.245875 per Bearer Deposit Certificate thus receiving their dividend entitlements to Frs.16.8575 per Share or Frs.0.847875 per Bearer Deposit Certificate.

Holders are advised to submit Form RF-4GB at the time of presentation of Coupons and/or Bearer Deposit Certificates. The Form may, however, be submitted at any time up to 31st December 1978.

Payments in respect of Coupons and Bearer Deposit Certificates will be subject to deduction of United Kingdom Income Tax at the standard rate of 35% unless claims are accompanied by an affidavit.

Coupons and Bearer Deposit Certificates should be lodged with:—
S. G. WARBURG & CO. LTD.
Coupon Department, St. Albans House, Goldsmith Street,
London, EC2P 2DL,
from whom appropriate claim forms and further information can be obtained.

3rd June, 1977. Compagnie Financière de Paris et des Pays-Bas

COMPAGNIE FRANCAISE DES PETROLES

S.A. CAPITAL STOCK OF F 1 068,650,200
Head Office:
5 rue Michel-Ange, 75016 Paris
R.C. PARIS B 542 051 180

NOTICE FOR SHAREHOLDERS' MEETING

NOTICE IS HEREBY GIVEN to the shareholders that they are to convene on Friday, June 24, 1977 at the Company's Head Office, 5 rue Michel-Ange, 75016 Paris, for an Ordinary General Meeting at 10.30 a.m., so as to discuss the following points on the agenda:

AGENDA

—Report of the Board of Directors on operations and accounts for the year 1976; Auditors' Report.
—Approval of said reports, accounts and balance sheet.
—Income allocation and determination of dividend.
—Renewal of authorisation granted to the Board to issue notes.
—Appointment of two Directors.
—Approval of transactions covered by Article 101 of the Law Decree of July 24, 1966.
—Setting of a redemption price for Class "A" shares until the next Annual General Meeting, pursuant to Article 11 of the Statutes.

All shareholders, regardless of the number of shares owned, are entitled to attend the Ordinary General Shareholders' Meeting or to be represented by a proxy shareholder or by their spouse.

However, in order to be able to attend this meeting or be represented thereat, the shareholders of the registered shares should be listed on the Company records five full calendar days before the meeting is to convene, while the holders of bearer share(s) should within the same time-span, deposit their share certificates or certificates issued by the bank, broker or financial establishment or broker with whom the said shares are deposited, at one of the following establishments:

—Banque de Paris et des Pays-Bas, 3 Rue d'Antin, 75002 Paris.
—Crédit du Nord, 6-8 Boulevard Haussmann, 75009 Paris.

Before the Ordinary General Meeting begins, a file with the following documents will be shown to the shareholders: the film featuring the Total Group operations starts at 10.00 a.m.

The 1976 Annual Report may be obtained together with the proxy statements from the London Office of Banque de Paris et des Pays-Bas, Moor House, 119 London Wall, London EC2Y 5ET.

THE BOARD OF DIRECTORS

SENTRUST LIMITED

(Incorporated in the Republic of South Africa)

DECLARATION OF DIVIDEND

NOTICE IS HEREBY GIVEN that a dividend No. 2 of 15 cents per share has been declared payable to ordinary shareholders registered in the books of the company at the close of business on 17th June, 1977.

No instructions involving a change of the office of payment will be accepted after 17th June 1977.

The REGISTER OF MEMBERS of the company will be CLOSED from 18th June to 1st July, 1977, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in United Kingdom currency at the rate of exchange ruling on 5th August 1977 or on the first day thereafter on which a rate of exchange is obtainable.

Non-resident shareholders' tax of 15% will be deducted from dividends payable to shareholders whose registered addresses are outside the Republic of South Africa.

Payment will be made on the Dividends on or about 19th August 1977.

The full conditions of payment may be inspected at, or obtained from the head office or the offices of the transfer secretaries of the company.

By order of the Board.

GENERAL MINING AND FINANCE CORPORATION LIMITED
London Secretaries
per: V. G. W. HAYNES

London Office:
Princes House,
95 Gresham Street,
London, EC2V 7BS.

Transfer Secretaries:
Charter Consolidated Limited,
P.O. Box 102,
Charter House,
Park Street,
Ashford Kent TN24 8EQ.
3rd June, 1977.

BARLOW RAND LIMITED

(Incorporated in the Republic of South Africa)

7% UNSECURED NOTES 1975/84

PAYMENT OF INTEREST

NOTICE IS HEREBY GIVEN that interest at the rate of 7% per annum for the six months ending 30 June 1977, will be paid to the holders of the 7% Unsecured Notes 1975/84 who are registered in the Company's register of holders at the close of business on 17 June 1977.

The registers of noteholders in Johannesburg and the United Kingdom will be closed from 18 June to 30 June 1977 both days inclusive. Interest cheques will be posted on 29 July 1977 to noteholders from Johannesburg and United Kingdom registrars offices on or about 29 June 1977.

The interest is payable in the currency of the Republic of South Africa and the rate of exchange at which the payment will be converted into United Kingdom currency for payment by the United Kingdom Registrar will be the telegraphic transfer rate of exchange between Johannesburg and the United Kingdom ruling on the first business day after 17 June 1977.

In terms of the South African Income Tax Act 1962 as amended, a non-resident's tax of 10% on net interest will be deducted from interest payable to:

(a) Persons other than companies not ordinarily resident in South Africa, and

(b) Companies which are not South African companies and the company will accordingly deduct the tax from the interest payable to noteholders whose addresses in the register of note-holders are outside South Africa.

By order of the Board.
W. C. Warriner,
Group Secretary
3 June 1977.

REGISTERED OFFICE:
33 Fox Street,
Braamfontein,
Johannesburg 2001.
(P.O. Box 4862, Johannesburg 2000)

SOUTH AFRICAN REGISTRARS:
Rand Registrars Limited,
2nd Floor,
Devonshire House,
49 Jorissen Street,
Braamfontein,
Johannesburg 2001.
(P.O. Box 31719, Braamfontein 2017)

UNITED KINGDOM REGISTRARS:
Lloyds Bank Limited,
Registrar's Department,
The Causeway,
Goring-by-Sea,
Worthing,
Sussex BN12 6DA
England

BARLOW RAND LIMITED

(Incorporated in the Republic of South Africa)

7% UNSECURED NOTES 1975/84 ("THE NOTES")

THIRD CAPITAL REDEMPTION

NOTICE IS HEREBY GIVEN that the third capital redemption, being 1/10th of the capital amount of the Notes outstanding at 1 July 1976 which is to be paid to the holders of the Notes who are registered in the Company's register of noteholders at the close of business on 17 June 1977, the registers of noteholders in Johannesburg and the United Kingdom will be closed from 18 to 30 June 1977 both days inclusive.

Capital redemption payments will be made on 29 July 1977 to noteholders who have surrendered their certificates to the Company's registrars for endorsement of the capital redemption. The capital redemption payment of these noteholders' certificates returned to [illegible].

The capital redemption payment will be in the currency of the Republic of South Africa and the rate of exchange at which the payments will be converted into United Kingdom currency for payment by the United Kingdom registrars will be the telegraphic transfer rate of exchange between Johannesburg and the United Kingdom ruling on the first business day after 17 June 1977.

Noteholders or nominees who are residents of the United Kingdom (including the Channel Islands and Isle of Man), the Republic of Ireland and the Republic of South Africa are to note that the provisions of the Exchange Control Act of 1947 relating to capital payments.

By order of the Board.
W. C. Warriner,
Group Secretary
3 June 1977

REGISTERED OFFICE:
33 Fox Street,
Braamfontein,
Johannesburg 2001.
(P.O. Box 4862, Johannesburg 2000)

SOUTH AFRICAN REGISTRARS:
Rand Registrars Limited,
2nd Floor,
Devonshire House,
49 Jorissen Street,
Braamfontein,
Johannesburg 2001.
(P.O. Box 31719, Braamfontein 2017)

UNITED KINGDOM REGISTRARS:
Lloyds Bank Limited,
Registrar's Department,
The Causeway,
Goring-by-Sea,
Worthing,
Sussex BN12 6DA
England

BRASCAN LIMITED

(Incorporated under the Laws of Canada)

Notice is hereby given that the Board of Directors of this Company has declared a quarterly dividend of [illegible] cents per share on the Class A Convertible Ordinary Shares of the Company, payable on 1st July 1977, to shareholders of record at the close of business on 15th June 1977.

[illegible]

Dated at Toronto, Canada the 31st day of May, 1977.

By Order of the Board.
[illegible]
Secretary.

Notice of Redemption to the Holders of EUROPEAN COAL AND STEEL COMMUNITY

US$50,000,000 loan 8½—1975-1982

The Commission of the European Communities hereby notifies bond holders that a redemption involving a nominal sum of U.S.$2,000,000 has been drawn in the presence of a Notary Public on 6th May, 1977.

The following bond serial numbers have been drawn:

06431 to 08430 inclusive.

Amount outstanding after amortisation of 1st July, 1977 will be U.S.$46,000,000.

Bonds drawn for redemption will cease to bear interest on 1st July, 1977. Bonds presented for repayment should be accompanied with coupons, up to 1st July, 1978 and onwards attached, and will be payable according to the conditions stated on the bonds.

Bond serial numbers redeemable on 1st July 1976 which are still outstanding: 23,082 — 23,108 to 23,135 — 23,139 to 23,140.

The Fiscal Agent
Banque de Paris et des Pays-Bas
Pour le Grand Duché de Luxembourg.

Luxembourg, 17th May, 1977.

QUEBEC CENTRAL RAILWAY COMPANY CAPITAL STOCK

In preparation for the payment of the half-yearly dividend due 1st July 1977, the Transfer Books of the above Company will be closed at 3.30 p.m. on 24th June and will be re-opened on 28th June, 1977.

R. H. PAUL,
Assistant Secretary

5 Waterloo Place,
London, SW1Y 4AQ.
3rd June, 1977.

HEPWORTH CERAMIC HOLDINGS LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books for the 7½% Convertible Unsecured Loan Stock 1983/98 of the above-named Company will be closed from 17th June to 1st July 1977, both days inclusive.

By Order of the Board,
BIRTWHISTLE, Secretary.

Genefax House,
Sheffield, S10 3FJ.

LEGAL NOTICES

No. 001591 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of EARPOY INVESTMENTS LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 27th day of May 1977, presented to the said Court by RESIDENTIAL DEVELOPMENTS LIMITED whose registered office is situate at Farley House, Petts Wood in the London Borough of Bromley, a creditor of the above mentioned Earpoy Investments Limited, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 4th day of July 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

G. L. LEIGH,
Legal Department,
Park West,
Edgware Road,
London, W.2.
Ref: GL/DV/32. Tel: 01-262 6161.
Solicitor for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 1st day of July 1977.

CONTRACTS AND TENDERS

COMISION EJECUTIVA HIDROELECTRICA DEL RIO LEMPA (CEL)

EL SALVADOR, CENTRAL AMERICA

Announces that international competitive bid invitations will be conducted for the work briefly described below: Designing, fabricating, furnishing and delivering electrical equipment for the Ahuachapán Geothermal Plant, Unit No. 3.

Bidding Documents are expected to be available and Bids are expected to be opened in accordance with the following schedule:

Bid No.	Issued Documents	Bid Opening Date	Delivery Date
CEL-538	June 15, 1977	Sept. 14, 1977	April 30, 1979

Contract Documents GST-D-3922 for Bid No. CEL-538, designing, fabricating, furnishing and delivering the following electrical equipment: A) H.V. (115 and 46 kV) Equipment, B) M.V. and L.V. Equipment, will be available to Bidders at ELC-Electroconsult, Consulting Engineers, Via Chiabrera 8, 20151 Milano, Italy, or Comisión Ejecutiva Hidroeléctrica del Río Lempa (CEL), 9a Calle Poniente, San Salvador, El Salvador C.A.

Bidders not previously qualified must submit with their offer the following information:

1. Experience record in similar works as required
2. Brochure statement of financial resources
3. Description of plant and organization
4. Banking references
5. Other information which will aid in judging bidders qualification

CEL has received a loan from the World Bank (IBRD) and proceeds of this loan will be applied to financing the contract resulting from the above bid invitation.

Bidding is open only to firms from member countries of IBRD and/or Switzerland.

CRICKET — BY TREVOR BAILEY

England beat Australia by two wickets

ENGLAND FINALLY won the first international of the summer by the narrow margin of two wickets which, with a little more application from their batsmen could have been far wider.

During an interesting day's cricket, in which the fielding and bowling were of a much higher category than the majority of the batting, the Australians displayed their spirit by staging fight-backs on no fewer than five occasions.

England deserved their victory because their overall attack was stronger. But they nearly let the opportunity slip.

Australia won the toss and elected to bat on a pitch that was rather two-paced at Old Trafford. Willis and Lever shared the new ball and quickly exploited obvious uncertainty of the tourists' opening pair.

In the second over Lever had Davis brilliantly picked up, low and left handed, by Greig at slip, and in the third McCosker chopped injudiciously at a long hop from Willis to be caught behind.

With two wickets down and only two runs on the board Brearley was able to continue to set what would be termed very attacking fields in the limited overs game. He must have been well satisfied when he rested his first pair of bowlers after five overs apiece and the total 17.

However, Greg Chappell quickly found his touch, and also a useful ally in Serjeant, the one other Australian batsman who could be termed in form.

Serjeant enjoyed some anxious moments when he attempted some ugly hooks, but he survived and together with his captain took the total past 50 against some typically steady bowling from Underwood and Old.

At 52 the Kent left-hander had Chappell lbw with a ball that kept a little low and straightened. The arrival of Walters on his fourth visit to the country, and still awaiting a really successful tour, did nothing to assist a rapidly deteriorating situation, as he was predictably trapped in the gully without scoring.

At lunch Australia were 77 for four and appeared to be heading towards defeat, though Serjeant was still there 35 not out.

In the afternoon neither Serjeant nor Hookes were able to break the stranglehold that the English attack had established. Rather surprisingly Willey was allowed to send down his full quota of 11 overs for only 29 runs and eventually, both batsmen fell victims to Greig while attempting unsuccessfully to force the pace.

Marsh, a chunky lefthander, then proceeded to rescue his side from disaster with some brave blows which brought him 42 runs. He was especially severe on Lever, who took too long to realise that the yorker was the appropriate ball in these circumstances. The Australians innings closed at 169 for nine and after 55 overs.

Brearley and Amiss began brightly against some good bowling from Pascoe, distinctly sharp. Walker had the Warwickshire player caught in the gully at 17.

This brought in Randall, who struck his first two balls to the boundary and went on his cheerful way until he was taken at slip off Malone. Malone who bowls a very good upswinger was unlucky to have had Brearley dropped a little earlier.

At tea England were 56 for two and with plenty of overs in hand should not have too much trouble to score the 114 runs required.

When Brearley and Barlow resumed their partnership after the interval needing only 114 runs and plenty of overs in hand, everything looked straightforward. The first English setback was the early loss of Brearley, who had never been comfortable and was followed shortly afterwards by Willey sweeping tamely.

Greig and Barlow then seized the initiative by good stroke-play and fast running between the wickets to take the score to 123-4.

The outcome seemed a foregone conclusion, until this pair managed to run themselves out in the same over and let Australia back into the game.

Knott and Old restored the balance until Walker took a couple of wickets to give his team their last fight-back. It was to be of no avail as Knott was still there to hit the winning boundary.

AUSTRALIA 169-9 dec. (Serjeant 46, Marsh 42). ENGLAND 173-8 (Barlow 42).

GOLF — BY ROGER PAUL

Last three seeds fall in Amateur

THE LAST THREE seeds in the Amateur Golf Championship at Ganton, North Yorkshire, were beaten yesterday as the tournament reached the quarter-final stage.

The last to go was Gordon Murray, the Scottish champion whose defeat was a triumph for the positive thinking of John Powell, a young Kent player on leave from a scholarship at Tennessee University. He has taken a term off his studies of English and American literature with the ambition of winning a place in the Walker Cup team.

Powell, who has no real record in this country, is a member of the Tennessee University golf squad, which gives him far more competitive golf than any of his contemporaries in this country.

After he had beaten Murray he said: "I'm fed up with the Americans beating us all the time. Nothing would give me greater pleasure than to play in a winning Walker Cup team. What we need to do is get our attitudes right. If we do that I am sure we can win."

Powell, who has played with the likes of Jerry Pate, now the American Open champion and Curtis Strange, is a fervent advocate of the American system.

"The competition is cut-throat over there, and only the really good players survive. I have to be in the top six of our squad of 17 in order to stay at university—and that's not easy."

Wrong club

Murray lost the sixth and seventh by taking the wrong club at the ninth where he went out of bounds, to turn three down. Then he hooked badly off the 15th tee, and went down four and three.

The other seeds to lose were Ian Hutcheon and John Davies, the runner-up last year.

Hutcheon, the No 2 seed and a certainty for the Walker Cup side, has not been at his convincing best this week and he lost to an experienced golfer who has represented Scotland many times albeit not since 1968.

Hugh Campbell was two up after 14 holes, but Hutcheon pulled one back with a monster putt up and down two of the crests that make the 15th green so difficult. When Campbell hit a bad drive at the 16th, and Hutcheon squared with a par four, it began to look as if the pressure was telling on Campbell.

Both hit poor drives at the 17th and both were bunkered. Campbell recovered the better, to 12 feet, whereas Hutcheon only just stayed on the green and two-putted from 40 feet.

Campbell next holed to restore his lead, and Hutcheon was never in sight of the birdie he needed at the last to take the match to extra holes.

Davies has a marvellous record recently in match-play events but he admitted that losing to John Cuddihy was entirely his own fault. He simply did not play well enough to put pressure on this 18-year-old Scot who has been runner-up in the Scottish boys' championship.

Davies lost the first three holes, the first to a Cuddihy birdie, the second when he three-putted and the third when he drove into an unplayable lie. He had to hole a four-foot putt at the fourth to save himself from going four down and was still three down when they reached the 18th tee. There Cuddihy drove into the trees and, once again one wondered if the thought of winning was about to prove too frightening.

The quarter final personnel have a slightly unlikely look about them. Michael Bonallack, who has won this championship five times but is now principally a Walker Cup selector, is through but has said that he will not play in the team even if he wins this championship.

He meets John Cuddihy, aged 18, while Paul McKellar meets a 19-year-old in Sandy Lyle. At the bottom of the draw, Peter McEvoy survived a desperate tussle with Les Walker to win at the 20th and meets the Irish international John Glover.

BANK RETURN

	Wednesday June 1 1977	Inc. + or Dec. — for week
BANKING DEPARTMENT	£	£
LIABILITIES		
Capital	14,553,000	—
Public Deposits	21,736,101	+ [illegible]
Special Deposits	1,068,740,000	—
Bankers	284,442,114	— 118,[illegible]
Reserves & Other A/cs	483,948,717	+ 40,[illegible]
	1,872,719,932	— 71,[illegible]
ASSETS		
Govt. Securities	1,308,684,176	+ 90,[illegible]
Advances & Other A/cs	290,891,395	— 177,[illegible]
Premises, Equip't & other Secs	95,033,148	+ [illegible]
Notes	18,115,253	+ 5,6[illegible]
Coin	195,963	[illegible]
	1,872,719,932	— 71,[illegible]
ISSUE DEPARTMENT	£	£
LIABILITIES		
Notes Issued	7,250,000,000	+ 225,0[illegible]
In Circulation	7,231,884,731	+ 219,3[illegible]
In Bank'g Dept	18,115,253	+ 5,6[illegible]
ASSETS		
Govt. Debt	11,015,100	—
Other Govt. Secs	6,282,681,292	+ 269,[illegible]
Other Securities	956,303,608	+ 55,[illegible]
	7,250,000,000	+ 225,0[illegible]

The Management Page

EDITED BY CHRISTOPHER LORENZ

A study of how good project management can transform a company from laggard to leader in a new technology is provided by L. M. Ericsson, a top Swedish engineering group, which has just appointed a 39-year-old as its new chief executive. Christopher Lorenz reports.

Swedish lessons in product design

ANALYSTS OF Britain's export problems have become obsessed with price and delivery dates, and seem to have forgotten an equally important factor—product design. This failing is not confined to academic economists and other "outsiders"; all too many of the country's leading companies have computed the combined effect of stagnant home markets, sliding sterling and surging overseas demand, and come up with dramatic export projections—only to be sorely disappointed at the results a year or two later.

For many companies, right across manufacturing industry, the problem is one of outdated design. Solving it can prove unexpectedly difficult. Catching up with the designs of one's Japanese or German competitors—no easy task in itself—can often prove a waste of extremely expensive effort, since most of them will continue modifying or replacing their designs to keep one step ahead.

The more far-seeing companies may be more ambitious, and try to leapfrog the opposition. But this obviously involves an unusual degree of risk, and the extra resources and time required to take such a large step may also mean they have to wait much longer than usual for a return on new investment—a strategy which may be difficult to get past many a British financial director, with his eye glued to stock market ratings.

A less obvious, but equally important, challenge is that the company's structure may have to be radically changed—perhaps more than once—if it is to overcome internal inertia or complacency about existing products. This is particularly true if the company's traditional designs have dominated the world market, and some of the staff lower down the organisation's hierarchy can see no reason for change.

An example of such problems, and of how they can be solved by good management has emerged in the last few months at L. M. Ericsson, one of the best known Swedish-based engineering multinationals, and one of the jewels in the crown of the famous Wallenberg industrial and banking empire.

Ericsson specialises in telecommunications equipment, and the design concerned is an extremely complex piece of machinery: a computer-controlled local telephone exchange. But the company's experience provides a managerial lesson for any manufacturer faced with the problem of a deteriorating competitive position.

After being virtually written off by its competitors in computer-controlled local switching between 1971 and early 1975 for having missed the boat, Ericsson is bouncing back, with the help of an astutely managed $120m. design and engineering project. As if to underline everyone's faith in the new "AXE" design, the two men most closely associated with it since 1971 have just been elevated to the top two positions in the entire group: the 39-year-old Bjoern Svedberg (pictured below) became Ericsson's president (and chief executive), and 52-year-old Hans Sund his senior executive vice-president.

The achievement of the two men, and their teams of engineers, is beginning to be acknowledged around the world. A year ago Ericsson's AXE system beat the Canadians, Dutch, Germans and Japanese to a large order in France (shared with ITT). In Holland this spring, the post office became sufficiently convinced of AXE's virtues to oust two traditional suppliers (ITT and Siemens) from the bidding.

Only this week it was learnt that the Australian telephone administration had decided in favour of the Swedish system. Apart from providing at least $A500m. worth of business into the 1980s, a victory here would help it to win other international orders, such is the technical reputation of the Australian administration. Only ITT's current eleventh-hour lobbying of the Minister of Posts, who has to approve the administration's decision, is likely to change the outcome. American, Dutch, German and Japanese companies were all eliminated several months ago.

Two major corporate reorganisations have contributed to Ericsson's resurgence in this product area. The first affected more than just the design and engineering process itself. Eight years, and a complex learning process later, the second change set up a separate development company to handle what was to become Ericsson's most important design project for over 20 years. This separation brought financial and managerial advantages, but risked creating disruptive tensions between the engineers who stayed with the parent company, and the staff of the new organisation.

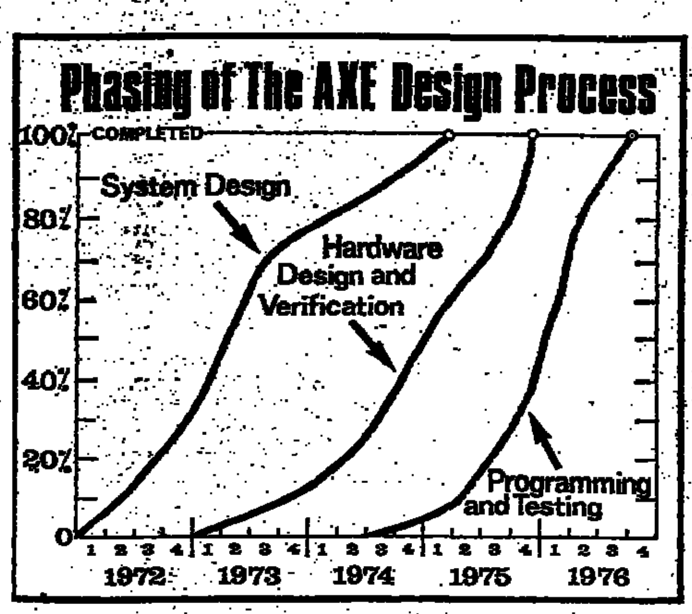
In the time between the two reorganisations, the importance of meticulous project management was rammed home when the company nearly overstretched its development resources, had to cancel its original programme and gave priority to work on other parts of its product line. Painful and expensive though this decision was at the time, both internally and in the market place (where it damaged Ericsson's image), the cancellation gave it the extra time and experience to develop what it, and many a potential customer, now claims is a more advanced product than anything else on the world market. The appreciation of more rigorous project control has contributed to the speed with which the design process has been carried through into a working product.

Parallel with these concrete decisions has come a healthy change in attitude right through the organisation. It is not only top management which now realises that domination of one product generation does not guarantee success for very long, even in a long-cycle, capital goods business like telecommunications.

Ericsson's commanding position in the market for telephone exchanges was established in the early 1950s, with an electro-mechanical design, crossbar, which became the international standard round the globe. But in the early 1960s the company's top management was quick to realise that advances in electronics, and computers in particular, would eventually contribute to a much more reliable and sophisticated product. So, in 1962, Ericsson was one of the first telecommunications manufacturers to start developing what has become known as stored programme control, or SPC, switching.

Until the arrival of a new top management team in 1964, there were effectively two separate development departments dealing with public exchange technology. The 1964 restructuring—the first major one for over 10 years—brought them both together with the exporting and home sales departments, each of which had also been separate. The technical director's team which had been working on SPC thus became an integral part of the mainstream organisation. One reason for the departmental merger was the realisation that the design and development of computer-controlled exchanges was going to be expensive and time-consuming and could not be left to operate as a peripheral activity.

The 1964 decision provides food for thought for manufacturing companies which are dominated by financial thinking. "If we'd been run by purely financially-minded people, we would not have gone into SPC at all," says Dr. Sund, emphasising that marketing and engineering factors were given much more weight in the decision-making process. But failure to take the plunge would have destroyed Ericsson as an independent force on the world market.



The strategy from 1964 was to develop a design which could be used in a family of exchanges, ranging from small rural centres through so-called trunk exchanges to the most complex of all, the large urban local.

For a number of reasons, things did not go according to plan for the local design project. But the extent of the problems did not become clear until Dr. Sund took over as head of the switching division five years later. The basic trouble was one which has dogged almost every company that has tried to computerise part of its product line, especially in the telecommunications industry: that software is much more complex and difficult to get right than one expects.

Dr. Sund had the advantage of experience on Ericsson's military side, where he was used to controlling massive development projects. Bringing a new discipline to project management, he immediately ordered a detailed resource assessment—only to find that programming work for the local exchange project was going to be six times as great as had been thought. This, and the fact that the processor for the switching family did not have enough capacity for satisfactory local service, meant that the local project would consume far more resources than anyone had imagined if it were to be carried through. After all that, its cost might be prohibitive to potential customers.

There was also some doubt whether Ericsson had enough engineers to carry through the local exchange project as well as the less troubled programme for trunk switching. The immediate market demand for the latter helped the management to decide to terminate the local project.

Only a handful of orders had been received by that date, but the cancellation shook Ericsson's image and was an extremely tough decision for the salesmen to accept; many engineers, too, were unhappy at the departure from the "family of systems" approach.

While every effort was directed into the trunk design—which has since become a best-seller—the local project was put into low gear. It was obvious that such a design would still be needed eventually: the company estimated that it would need to get into volume production in about ten years' time, in 1979—nearly nine years later than the original target date for the abortive project.

For several reasons, the company decided to adopt an entirely new organisational approach to the local exchange design process. To tap the engineering resources of the Swedish telecommunications administration (equivalent to the telephone side of the British Post Office), and to free the design engineers from all the constraints and pressures of Ericsson's other work, the two organisations set up a joint subsidiary in early 1970. Called Ellemtel, it was housed in separate premises some distance away from Ericsson, though it remained under close supervision. Ericsson continued to develop all other switching products.

Dr. Sund considers that the Ellemtel arrangement speeded the local exchange design process by about two years, but it caused tensions. A close collaborator on the project, Mr. Svedberg, recalls that the splitting of development effort "caused morale problems . . . a lot of emotion was involved."

By 1971 the company had realised that demand for stored-program controlled local exchanges was developing more rapidly round the world than it had anticipated, and that it was in danger of losing crucial ground to its competitors, especially ITT. Several months of intensive work by a 14-man team under Mr. Svedberg produced a requirement specification which was accepted by the top management.

System design proper began in 1972, with Dr. Sund resisting pressure from some engineers on the project who wanted the next stage — involving circuit design and other hardware elements — to be run almost in parallel. The graph shows how the design and engineering process was phased, keeping staff levels and the overall corporate commitment low for as long as possible, without losing momentum. This strategy holds a useful lesson for companies in any form of electronics, where development has to be undertaken quickly, yet must be matched with steady project control. Such caution is also "very important when you want to control people in a separate organisation," considers Dr. Sund.

Yet another difference between the abortive 1960s projects and the successful new one is that the production side was better integrated the second time round. Not only were shop-floor employees given much more preparation for the technical changes in their work, but the engineers did not repeat the mistake of underestimating the cost and time required to test the electronic equipment. Mr. Svedberg says that engineers on the earlier project had been allowed to design many pieces of hardware without paying enough attention to how they would be tested.

One factor stands out from all Ericsson's claims about its AXE design. The modularity of both hardware and computer software not only makes it easier to manufacture and test, but also makes it simpler for a customer telephone administration to alter the exchange's programmes. Other advantages over its competitors which have attracted the French, Dutch and Australians are the ability to use fully electronic (digital) switching technology, and a particularly short installation time on site.

If Ericsson can now claim so many advantages over its competitors, this is partly thanks to its troubles in the late 1960s, which put paid to its original design. While other companies ploughed ahead, the Swedish company was able to take advantage of a few more years of advancing technology and technical know-how before "freezing" its own design. Tough project management then steered AXE through development into the factory in little over five years — an extraordinarily short time for such a complex piece of equipment.

Not only does this set an example to the British Post Office and its suppliers — who have taken almost as long on their own SPC project to get only as far as placing development contracts—but it provides the encouraging message to every manufacturer that good design and project management can turn lateness into a virtue.

New top men

ILY a year ago guests at Ericsson's centenary celebrations were surprised to find a relatively unknown engineer, looking much younger than 38 years, spearheading the technical presentations. Four years after joining the company from the Royal Institute of Technology, Bjoern Svedberg had just been appointed Technical Director.

This Wednesday, shareholders at the AGM found Svedberg had been catapulted right to the top, into the Presidency. With him, a generation takes over: the technical and marketing directors are retiring, to be replaced with men in their 40s. The oldest of the new four, at 52, is Dr. Sund. Young chief executives are common in major Swedish companies than many people realise. There may have been a fuss when a 36-year-old got Volvo's top job, but Svedberg's predecessor at Ericsson, Bjoern Lundvall, was only 43 when he took over in 1964.

The AXE may be selling fast, but Svedberg faces plenty of other problems in his 70,000 employee company, which manufactures in 24 countries. The world recession, and currency losses in Brazil, have hit profits. These factors, plus the shift to less labour-intensive products, have threatened several thousand of its Swedish jobs. The government has helped by accelerating AXE orders, but the underlying problems remain.

Lundvall's departure has not been caused by these difficulties; his wish to retire was well known before they occurred. His elevation to the chairmanship means the most famous name of all, Marcus Wallenberg, steps down. But the new chief executive can be in no doubt that the Wallenberg eye will remain glued to Ericsson's performance for many years to come.

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FRIDAY, JUNE 3, 1977

A new look at bargaining

THERE IS no need, with Phase Two approaching its end and no agreement about the shape of Phase Three yet in sight, to spell out once again the serious disadvantages implicit in the pay controls, whether statutory or voluntary, which have become more and more common in the past decade. Although many of these disadvantages, moreover, can be traced back to the fact that the controls have not been intended to last for longer than the life of a temporary emergency, a permanent system of control would undoubtedly have major drawbacks of its own. Yet our traditional system of collective bargaining is so biased towards inflation that changes in it are needed urgently—not least because the distortions created by several years of control cannot all be put right overnight.

The Confederation of British Industry, therefore, is to be congratulated on putting forward some ideas about the future of pay determination in a discussion pamphlet before either the Government or the TUC has made a public move in this field. It is true that some of these ideas have been discussed, without very much happening, for many years past and that others may look more practicable from the employer's point of view than from that of the trade union leader. But they have been set down as a programme for serious discussion by a body which does not often take such bold initiatives.

The consensus

Immediate comment must obviously be limited to a few specific aspects of the CBI programme. The first to strike one is the different time-scales in which the various proposals must be considered. On the one hand, for example, it would clearly be desirable to get some of the machinery it proposes set up in time for the ending of a still-hypothetical Phase Three, that is, by the summer of next year. On the other hand, the rationalisation of bargaining groups would take longer to achieve and the concentration of bargaining into a shorter period longer still, while the general change of attitude among both employers and unions it hopes to bring about as a result of education is a programme for the next decade.

Second, the creation of a national consensus about the economic outlook and the consequent scope for aggregate pay increases may well be much more difficult to bring about in practice than the CBI seems to assume. Perhaps the most that can be hoped for is a narrowing of the gap between different, partial forecasts. For this reason, it is important that other interests beside those of employers and unions should be represented on the steering body in question, and not only indirectly through Ministers. For this reason, too, it would be prudent if there is to be such a body, to keep it separate from the National Economic Development Council, the value and longevity of which springs partly from the fact that it tends to avoid matters which could lead to serious dissension.

Education

Third, the educational process—the longest-term part of the CBI proposals but also the most fundamental—must apply to employers as well as unions and their members and must avoid over-simplifying the issues at stake. So far as employers are concerned, the most difficult task will probably be to make them more aware of their common interest in the results of individual bargaining without going so far in this direction as to create a risk of serious confrontation with the TUC. So far as unions and their members go, the main aim must be to produce a greater consciousness not only of the link between *aggregate* pay increases and *aggregate* employment but of the way in which the tactics pursued by one strong group of workers can adversely affect other, less strong groups. None of this will be achieved quickly—though that is no reason for not beginning soon. The CBI looks wistfully from time to time at the situation in West Germany, but admits that things are different there only because trade unionism had to be re-created on a fresh base after the war.

The Royal Exchange in full Jubilee dress and the young Queen driving to her first State opening of Parliament in 1952.

Twenty-five years of change

BY DAVID WATT

I SUPPOSE that the choice of a Jubilee present for the Queen would pose the old problem of what to give the Woman who has Everything in about as acute a form as it is possible to imagine. But I think I can offer a constructive suggestion to any civic dignitary now scratching his head over this conundrum. Two volumes of the Annual Abstract of Statistics (suitably bound in silver leather, if you will), one for 1952 and one for 1976, might provide the Sovereign with some instructive bedside reading and, which is more to the point, might actually cheer her up.

Browsing through the columns of figures and comparing our estate to-day with that of 25 years ago, one is constantly struck by the prodigious growth in the prosperity and range of choice of the people of these islands. This is not simply a matter of crude measures of wealth and well-being—the vast increase in the amount of meat and fish eaten, and the number of shoes, baths, toys and tennis rackets bought, the decline in the depredations of killer diseases like T.B. and polio—though these are startling enough. What is impressive is the surge in the quality of life.

Take the obvious example of communications. In 1952, there were 2.5m. private cars licensed; in 1975, there were 13.8m. In 1952, there were 1.5m. television sets; in 1975 there were 25m. In 1952 there were 5.7m. telephones; in 1975 there were 20m. The 1952 volume of statistics does not show the number of holidays taken abroad, but the 1976 one shows that U.K. airlines carried nearly 7m. passengers in 1975 on non-scheduled, inclusive-tour services—a threefold increase in ten years. All this explosion does not merely reflect an increase in wealth; it represents an enormous freeing of the spirit and an opening of great new worlds to ordinary people.

The dreams of nineteenth century philanthropists have been in part realised by these developments. What they called the "condition of the people" comprehended not simply sanitation and the alleviation of the most grinding poverty, but also the alertness and intelligence and knowledge of the new mass electorate. Their wildest hopes in the field of education itself have been surpassed, and most of the change has come in the last quarter-century. The Butler Education Act of 1944 was largely implemented after 1950 and the Robbins Report, and all that flowed from it, has raised the number of university students from 97,000 in 1952 to 275,000 in 1975.

There is another side of the picture, of course, and one that would have gravely disappointed Lord Shaftesbury and others who believed that spiritual well-being would go hand in hand with education and hygiene. In 1952, the police knew of 603,339 indictable offences in the U.K. of which just over 4,000 involved violence against the person. The equivalent figures for 1975 were 2.4m. and 71,000. Sexual freedom has brought its problems as well—118,000 divorces in 1974 as against 36,000 in 1952 (at the tail end of the post-war spate of failed marriages). But the question endlessly prompted by all these figures, and in fact by any prolonged rumination on the political and social history of the first 25 years of Queen Elizabeth's reign, is whether most of the troubles the country now faces have not been part of the inevitable price we are paying for developments which almost everyone agrees are desirable but over which they have become blasé.

The end of Empire

The most notable changes of the era fall into this category. First, the end of the Empire. When the Queen was crowned in 1953, the independent Dominions represented at the ceremony consisted of no more than the old, pre-war white Commonwealth and the three nations of the Indian sub-continent. The whole of the rest of the Empire in Africa, the Caribbean and the Far East laid their trophies at her feet as their ruler. It was not until 1957 that Ghana and Malaya became the first of the new flood. Since then, 27 more independent Commonwealth nations have been founded, five have been born only to leave the Commonwealth and two existing Commonwealth members (South Africa and Pakistan) have gone their own ways.

Few people now, I imagine, would say that this extraordinary transformation was a calamity, in itself, for this country. As soon as it was conceded, as it had been by many, even in the nineteenth century, that colonial peoples were "children" who would eventually "grow up" (a metaphor of great significance), the moral case for the mother country being the sole arbiter of when adulthood had been reached was blunted. The practical case for resisting the inevitable was that it would have cost more in money and manpower than the economic advantages of retaining complete control. Whether the Empire was ever, in an absolute sense, a "good thing" is a question of doubtful historical legitimacy. What is certain is that an attempt to shore it up any longer would have been a bad one, and that Mr. Harold Macmillan and the Conservative politicians who led the "imperial" party into accepting the retreat, showed courage and judgment.

The same thing will probably be said, with historical hindsight, about the other big change of the period—the decline of privilege and the wider distribution of economic power. This process has naturally been fought every inch of the way and the Conservative Party still maintains that egalitarianism has been carried too far. But even Conservatives do not maintain that all the egalitarian developments since 1952 have been wrong, or that the mere slogan, "equality of opportunity," would have met the desires and needs of the time. The positive attack on poverty, the moves towards equality for women, and the general dismantling of class distinctions, formality and snobbery, are still seen as advances on all sides.

Indeed, to my mind it would be thoroughly perverse to deplore in principle almost any of the developments that I have cited from Her Majesty's bedside books. How could one when some of the consequences have been so unqualifiedly good? For instance, the combination of the communications revolution and the distribution of earning-power downwards to the lower age groups has contributed powerfully not only to the birth of a lively "youth culture" (including that astounding phenomenon of the 1960s, the Beatles), but has been the economic base on which much of the revival of British serious music, opera, theatre and ballet has been built during the last 25 years. It is possible that this sudden blossoming of creative energy in a number of artistic fields is now coming to an end, or is only prolonged by the foreign tourist trade. But the fact that London has been one of the main cultural capitals of the world during most of the Queen's reign is a noteworthy fact and one that probably would not have occurred if social change had not unlocked new resources.

The problem, in Britain as in other Western countries, has been that freedom—for consumers, for workers, for journalists, for lovers or for whom you will—has eroded Authority. The traditional instruments of control within our societies have all been blunted. Religion has faded away in the climate of rationalism and materialism. Class superiority has been deliberately destroyed by robbing it of its economic legitimacy and, in so far as the European empires were closely identified with the interests of the middle classes, of its functional legitimacy as well. Poverty and economic coercion—the most potent disciplines of all, may not have been entirely abolished by Keynesian economics, but at least Keynesian economics reflected a pervasive moral assumption which the monetarists have not yet been able to reverse—namely that the deliberate use of these weapons to reassert authority is wrong.

The consequences of all this have been particularly sharp in Britain — far sharper than in the U.S. and marginally sharper than in other West European countries — because our whole system has in the past been based more than most on an elaborate hierarchical structure and on the apparently well justified assumption that the traditional methods — particularly deference—indeed work. The entire process of Queen Elizabeth's First Ministers has worked on this basis, and with steadily diminishing success. Churchill's authority was still effective and derived in part from his wartime prestige, part from his aristocratic assurance in calmly assuming that the country would follow its leaders. Eden was not so good at walking on the water and showed distinct signs of coming to grief even before the Suez venture wrecked him on external reality. Mr. Macmillan just about kept going by flattery, cajolery, and sheer histrionic ability. Sir Harold Wilson sank pretty rapidly, but splashed about enough for a while to prevent anyone from seeing quite what was happening. Neither he nor Mr. Heath can be said in the end to have commanded the support necessary to enable them to damp down expectations, soothe fundamental conflicts or pursue a viable economic policy.

Crux of the matter

This last, of course, is the crux of the matter. Incomes policy as run by everyone from Macmillan and Selwyn Lloyd, to Callaghan and Healey is an attempt to assert authority under the old rules. So, in a way, is the so-called spread of "corporatism." But the trouble is that none of the institutions involved can control its own forces. The trade unions and British industrial management are as hierarchical and muscle-bound as government. In the last decade, the state has started to throw into the battle its last reserves—the authority of Parliament and the Law. The result of this is not yet certain, but the experiences of the last Conservative government with the Industrial Relations Act and the present standing of Parliament are not altogether encouraging.

We have all been tempted to speculate during this period, whether a politician of great stature or genius might have been able to re-establish control on the old basis. The [illegible] of the great might-have-beens of Queen Elizabeth's reign were Hugh Gaitskell and Iain Macleod. And what would Aneurin Bevan, another politician of the highest quality, have done if the cards had fallen slightly differently for him? Nowadays it is more fashionable to speculate that Government might reassert its authority, paradoxically, by abdicating it. The cry is to put greater responsibility on to individuals, get the government off people's backs and let the economic chips fall where they will.

No doubt there is something in both these trains of thought. We have certainly been short on political flair and long on political paternalism during the last quarter century. But I suspect that neither recipe will turn out to bear very much weight. The complexity of issues and relationships created by economic growth and technological progress are not really susceptible to exhortation or even to sophisticated modern decision-making procedures. They also create irresistible pressures for someone to come and do the essential political job of reconciling and regulating.

The great questions for the next 25 years, therefore, are really constitutional ones. Is the system capable of adjusting itself to a whole new set of premises? How much participation of individuals in political and economic processing is feasible? Have we got the basic political unit sizes right? How much can be transferred upwards to European level and how much downwards to smaller groupings? Is federalism a possibility? Would proportional representation produce government better able to span conflicts of interest and mobilise consensus? Necessity has at last caused these and many other possibilities to surface, and for the first time in a hundred years there is some hope that we shall see displayed something of the much-vaunted British political genius—adaptability, pragmatism, and (at least since the seventeenth century) determination to avoid violent solutions.

Escalation in Rhodesia

THE RHODESIAN incursion into Mozambique does not appear to have been particularly successful either politically or militarily. Politically it has led to a predictable outcry outside the country and could yet lead to the Rhodesian guerillas and those who back them determining further to intensify the fighting. Militarily the Rhodesian armed forces do not seem to have found very much either in the way of guerillas or stocks of munitions. The guerillas, if they had been in the area in any great numbers, had simply melted away as is in the nature of guerilla warfare.

Cubans

The episode, however, does illustrate one simple point for all the parties in the conflict. It is that wars tend to escalate. That there is a war in and around Rhodesia there can be no doubt, even if it is not formally so defined. It began as a number of small and relatively infrequent incidents. The incidents have become bigger and almost an every-day occurrence. The weapons used have become heavier and the degree of outside help to the guerillas has increased. Border crossings happen quite often, as they are bound to do—both ways—when the guerillas count on support and sanctuary from Rhodesia's neighbours.

The process of escalation could continue in many forms. It would not be surprising, for example, if the guerillas were to respond to the incursion into Mozambique by stepping up their attacks on the town of Umtali, one of the larger Rhodesian population centres which is close to the Mozambique border. It is also possible that the Cubans—with Soviet support—could intervene in the conflict in a way that they have not done so far. Such a move would almost certainly be accompanied by the use of yet heavier weapons.

It is true that the escalation would not be one-sided. The Rhodesian entry into Mozambique was proof of that, and there are other possibilities. Rhodesia has a certain amount of air power which has not yet been put to its most destructive use. If the war goes on, the temptation to do so—to fight, as it were, with no holds barred—will grow.

Yet the question that white Rhodesians have to ask themselves is this: is it a war that they have any reasonable chance of winning or, failing that, of fighting to the point where the guerillas and those who support them are obliged to sue for terms? The answer is surely no. The Rhodesians can win a campaign or even a series of campaigns, but their own resources are so small and the potential forces ranged against them so large, that a military victory is out of the question and it would not be surprising to find the first awareness of that coming from the military themselves. The decisive factor, if any were needed, must be the attitude of the new U.S. Administration, which has come out far more firmly than its predecessor in favour of early majority rule.

Warning

The present situation of escalating warfare was predictable and predicted several years ago. Those who wish to see a peaceful settlement in Rhodesia have warned repeatedly that this is what would happen and there is no comfort in seeing the predictions being fulfilled. The warning, however, remains the same, though more urgent. It is that Rhodesia is heading for disaster unless Mr. Smith and his supporters quickly relinquish their position. If they do not, the worst is yet to come.

MEN AND MATTERS

Jubilee pay packet

Had your Jubilee bonus yet? One topical and apparently blameless way of easing the shackles of pay restraint is demonstrated by Lloyd's, the London insurance centre, which is paying its 2,000 staff one week's salary extra by way of celebrating the Royal occasion.

The Corporation of Lloyd's is acting on precedent, having paid out similar bonuses at the time of George V's jubilee, George VI's coronation, and the present Queen's coronation.

But there was some confusion yesterday when the Department of Employment was asked whether the Lloyd's action conformed with pay guidelines. A spokeswoman reported that though there had been a few applications, she thought none was considered to be within the terms of the incomes policy. But what about Lloyd's? An answer on that case would have to wait till the Department returned from holiday after Jubilee day next week.

"It was something about 'and all who sail in her'!"

Radio rows

In the midst of the ideological tussle between East and West, the Soviet Union and its allies are trying, hardly in a spirit of détente, "to rewrite international communications law," declared Sig. Mickelson yesterday. He is the chief executive officer of Radio Free Europe and Radio Liberty, a couple of children of the Cold War recently merged and apparently stirring the Communist bloc to greater and greater fury even though they have been around nearly 30 years.

Both are financed by the American Government and broadcast in 22 languages to countries behind the Iron Curtain with the exception of East Germany. Mickelson, in London on a tour of the combined organisation, talked about the increasing attempts by Communist regimes to "throttle the flow of information across international borders." The latest bogy, improbable though it sounds, is "communications imperialism."

Successive U.S. Administrations have shown no sign of weakening in their resolve to support the stations and President Carter has authorised the spending of extra sums to improve their transmitting equipment, essential in view of the crowded competition of the airwaves these days. But two big political tests lie ahead: the line to be taken by the Russians over such broadcasting at the forthcoming review of the Helsinki agreement in Belgrade; and in Prague in a couple of weeks there are to be discussions on coverage of the Russian Olympics and Radio Free Europe/Radio Liberty fear they will be banned.

The stations try to combat Communist regimes more by showing their capacity to broadcast all manner of information than by trying to wage a propaganda war. It is a point that has upset some dissidents, but Mickelson, a former president of CBS news, argued that the stations have a duty to reach the widest possible audience and any sort of preaching was reckoned counter-productive. As for the number of listeners, executive vice president Alexander Buchan said audiences tended to increase significantly at times of crisis. He cited the recent Romanian earthquake disaster, when thousands of Romanians contacted RFE in Munich to find out details. Buchan himself was involved in the early days of the U.S. government's separate Berlin-based East German service, RIAS. That originally used a group of transmitting vehicles that had been Rommel's in the desert, operated for the Americans by a chief engineer who had done the same job for Dr. Goebbels.

Buchan said the official financial support for Radios Free Europe and Liberty was now around $55m. a year. Broadcasts were jammed regularly everywhere except Romania and Hungary, though Buchan added cheerfully that it was thought the receiving countries spent more on jamming than Washington paid out to keep the stations going.

Electric chief

Europe's biggest group of architect-engineers, with projects worth more than £2.6bn. to hand, is to be found in deepest Gloucestershire, at Barnwood. It is made up of over 2,000 power generation, development and construction men employed by the Central Electricity Generating Board to plan, design, engineer and landscape the Board's power stations and other equipment.

This massive concentration of skills has been without a head since Bob Farrell retired as director general in April. Yesterday a burly, Scots physicist of 44, Dr. Ian Preston, was appointed to the post with effect from July 1, and he brings with him a reputation as "one of the brightest prospects in the industry to-day," according to one electricity chief.

For the last five years Preston has been chief engineer of the South of Scotland Electricity Board where he has been closely involved, inter alia, with running the, so far, highly successful Hunterston B nuclear station.

Barnwood is currently suffering long overruns on many of its projects and one of the arts which Preston learned in South Scotland, is that of inter-leaving design requirements with construction programmes. It is a reflection of the fact that the SSEB, being only one eighth of the size of the CEGB, insisted on a less specialised approach from its top executives and insisted that they involve themselves in the entire research, design, construction, commissioning, and trouble shooting aspects of the total job. Useful training for Barnwood.

Murphied

The Irish spud has taken a real bashing. The insult has come from McDonald's, of hamburger joint fame, which has just opened its first Dublin branch. McDonald's, besides inventing the first University of Hamburgerology, also claims to produce "the best French fries in the world." But they have decided they can't keep up this claim if Irish murphies are used—so potatoes are being *imported* from Canada.

Observer

FINANCIAL TIMES SURVEY
Friday June 3 1977

British Exports

Many British companies now see the growth of exports as the primary means of achieving their sales and profit objectives. An aggressive effort to recover lost markets is under way and the results so far look encouraging.

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Time to sing the praises

By Geoffrey Owen

IT IS A constant complaint among businessmen that the newspapers and other media present an unbalanced picture of British industry. Our weaknesses are publicised to excess, they say, while our achievements, especially in the export field, are underplayed. The charge is justified only in part, since major overseas contracts usually receive very full treatment; as for the bad news—when, for instance, the U.K. becomes a net importer of passenger cars or of steel — the newspapers can hardly be expected to ignore it. What tends to get neglected — and here the businessmen do have some grounds for their irritation — is the great bulk of U.K. exporters, often making unglamorous products unknown to the general public and quietly getting on with the job of increasing overseas sales year by year.

A glance at the accompanying table showing the trade performance of some major sectors of industry, illustrates the point. The tables does not specify some of the traditional exporting sectors which continue to play a vital part. Scotch whisky exports, for instance, rose 19 per cent. in value last year to 437m., while wool textile exports reached £300m.

The problems of the textile and clothing industries understandably demand attention, while the large imports of iron and steel are a cause for concern. But more significant, in the context of Britain's economic position as a whole, is the continuing strength of some of the other sectors, of which mechanical engineering is the most important.

Woodworking machinery, cigarette-making machinery, mobile cranes—these are not the sort of products which capture the imagination of the public. Yet it is in these areas—and a good many others like it—that British companies have a position of world leadership and there is no sign that they are about to relinquish it. In mechanical engineering the U.K. ranks as the third-largest exporter—above France and Japan, though some way behind both West Germany and the U.S.

The Japanese appear to be devoting more resources to this sector, especially in the field of heavy plant exports, and no doubt competition from this source will become increasingly formidable. But there is no cause for despair about the ability of British companies to compete on design, price and delivery. Throughout mechanical engineering, a sector characterised by many small and medium-sized companies, the incidence of labour disputes is low. Several of the American companies which have invested in this sector and have become leading exporters—Caterpillar and Cummins are examples—have experienced high levels of productivity and stable industrial relations.

Strength

The picture, of course, is not uniform. Sectors of exceptional strength, such as tractors or diesel engines, are offset by areas of relative weakness, such as farm machinery and parts of the office machinery industry. But one of the features of mechanical engineering is the high degree of inter-dependence between industrial countries. No one country can expect to have a commanding position in every major line; it may be regrettable that we import so many electric typewriters or so much weaving equipment from the Continent, but to aim for self-sufficiency is unrealistic.

In chemicals, too, which produced the second-largest trade surplus last year, the ability to compete is not in question. For ICI, the dominant company, growth in direct exports has been one of the most dynamic elements in the business over the last few years. While the depreciation of sterling has assisted the process, much of ICI's export growth has come from technologically advanced products such as pharmaceuticals, dyestuffs and plant protection chemicals, where price is less important than a technical lead over the competition.

There are rather more companies of this sort—British-based international companies which can hold their own against world competition both in scale of production and in technical sophistication—than is often supposed, and they do not all have to be very large diversified concerns like ICI. A frequently cited yet still revealing case is that of BSR, which from a U.K. manufacturing base has achieved a dominant position in record changers; nearly 90 per cent. of its record changer production is shipped overseas and the company is believed to account for more than half the world market.

World domination on the scale achieved by BSR is not feasible for most companies, but the idea of exporting, say, two-thirds or more of U.K. production is by no means unknown in British industry. British Leyland's Land Rover is another example of a ubiquitous British product which has maintained a leading position in the world market for cross-country four-by-four vehicles, despite a very small home market and despite intense competition from American, Japanese and now Continental companies.

The success of the Land Rover happens to be a refutation of the common argument that exporters should concentrate their efforts on the few markets which provide substantial volume. The strength of the Land Rover business is due in part to the careful development of even the smallest and poorest of the developing countries, where the Land Rover is often the most widely used vehicle; the individual volumes may be small, but in aggregate they provide a useful part of the total export business.

In the past, despite the example of products like the Land Rover, there has been a rough rule of thumb in the motor industry, and in several other industries, that exports should never exceed about 50 per cent. of sales. The argument was that export business was more difficult, more expensive to develop and to service, and less lucrative than home market sales. A large and profitable home market had to carry the low-margin export business. Most companies, of course, got nowhere near the 50 per cent. mark but were content to jog along with exports accounting for around 20-25 per cent. of sales.

There is some evidence that these views are changing, partly because of the depreciation of sterling. It is true, as a recent NEDO study pointed out that devaluation cannot in itself be expected to produce a long-term increase in export volume. Exports depend on many other things besides price; it is in the non-price factors, such as quality and reliability, that British industry is sometimes said to be inferior to, say, West Germany, whose export achievements have not so far been adversely affected by revaluations of the D-mark.

Strategy

As the NEDO study put it, "market shares depend on a complete marketing strategy developed over a number of years in the light of long-term trends. Such a strategy is unlikely to be altered by short-term exchange rate changes, which are more likely to be treated as windfall additions to profits. Only if changes in relative costs are believed to be capable of being made to last will marketing strategies be affected."

The fact that the inflation rate in the U.K. is still higher than in most other industrial countries suggests that the cost advantage obtained from sterling depreciation could soon be lost. Nevertheless, attitudes among manufacturing companies do seem to have altered in the last few years. For many of them exports have become, not merely a marginal addition to sales volume, but a major contribution to profits and a fast-growing part of their total turnover.

It is always easy to find reasons to be pessimistic. One of them is the fact that our deficit in manufactured goods with the other EEC countries has increased since our entry into the Community. Does this mean we cannot compete? It is at least possible that the reorientation of our export marketing efforts towards the EEC has needed a longer period of time than the optimists supposed. It is possible, too, that some of the attention of exporters has been diverted to the more immediately attractive and perhaps less challenging markets of the oil-producing countries. But there are enough cases of companies which have made great strides within the EEC in the last few years—Courtaulds in textiles is one example, Lucas in motor components is another—to show that the task is not impossible.

The confidence to attack the really difficult markets, including Japan, will be immeasurably increased if the U.K. economy, with the aid of North Sea oil, moves into a more stable condition in which growth is not constantly held back by balance of payments weakness. The morale of exporters is bound to be low when everyone, not least the newspapers of the countries they are visiting, is full of gloom about the British economy. If the clouds start to lift, then the recovery of nerve and self-confidence of which there are already some encouraging signs will gather momentum.

THE TOP THIRTY EXPORT MARKETS IN 1976

(£m.)

Country	Exports	Imports	Country	Exports	Imports
U.S.	2,449	3,044	Norway	474	623
West Germany	1,834	2,757	Saudi Arabia	400	978
France	1,710	2,091	Spain	368	360
Netherlands	1,500	2,428	Japan	359	796
Belgium/Luxembourg	1,401	1,300	Finland	289	562
Irish Republic	1,247	1,008	New Zealand	251	321
Sweden	1,045	1,188	Israel	249	128
Switzerland	1,000	963	Soviet Union	240	667
Italy	826	1,106	Portugal	223	109
Nigeria	774	317	Austria	212	232
Australia	688	394	Turkey	211	60
Denmark	655	705	India	207	355
South Africa	645	613	Hong Kong	204	440
Canada	628	1,160	Poland	189	154
Iran	511	1,049	Dubai	189	122

Source: Overseas Trade Statistics.

U.K. TRADE PERFORMANCE IN 1975 AND 1976 BY MAJOR SECTORS

(figures in £m.)

	1976			1975		
	Exports	Imports	Balance	Exports	Imports	Balance
Non-electric machinery...	5,058	3,254	+1,804	4,255	2,300	+1,955
Chemicals	3,046	2,000	+1,046	2,179	1,409	+ 770
Road motor vehicles	2,224	1,398	+ 826	1,737	883	+ 854
Electrical machinery	2,004	1,383	+ 620	1,529	1,045	+ 484
Textiles	934	911	+ 23	698	683	+ 15
Iron and steel	825	966	− 272	683	821	− 148
Instruments	629	575	+ 54	518	447	+ 71
Aircraft	416	253	+ 163	360	202	+ 158
Clothing	412	684	− 272	265	505	− 240
Ships and boats	241	58	+ 183	215	61	+ 174

Source: Overseas Trade Statistics.

The signs are encouraging

By Edmund Dell, M.P., Secretary of State for Trade

Dr. Godfrey Hounsfield with his brainchild the EMI-Scanner, the first of a new kind of computerised X-ray instrument for medical diagnosis. EMI has more than 200 EMI-Scanners on order, worth an estimated £44m., in addition to more than 600 already installed, mostly in North America.

IT IS encouraging that, after the disappointments early this year, the latest information is that export volumes have been increasing.

In March and April the export rate was a *fifth* higher in real terms than it was during the third quarter of 1975, the lowest ebb in the recession. And so far as the disappointing level at the beginning of this year is concerned, the first indications are that other industrial countries may have been sharing our subdued export performance.

If we look at the picture on a market basis U.K. exports to Western Europe have been slowing down recently. This is hardly surprising given the slow economic recovery in the area. But exports to North America, to OPEC and to the centrally planned economies have been rising sharply.

In the past three months sales to the oil exporters exceeded £1bn., our best performance ever. In value terms the rise from a year earlier was *47 per cent.* We are currently selling *five times* as much to OPEC countries by value as we did before the oil price explosion. As a result of the dedicated effort being made by many exporters we are at least maintaining our share of these growth markets against intense competition from other industrialised countries.

To these successes we should add the very strong performance of invisibles. In the last quarter of 1976 our earnings on this account totalled £3.7bn. and our net credit £619m. When the results for visible and invisible trade are combined, in the latest three months we earned our first current account surplus since the summer of 1972. We cannot expect every monthly return to be good from now on, but it seems possible that the Government was being too cautious in not expecting a sustained current account surplus to emerge until the first half of 1978.

However, we are moving into current account surplus at a time when activity in the U.K. is still depressed, real living standards falling and unemployment far higher than it has been at any time since the war.

Moreover the recent improvement in U.K. trading statistics stems from North Sea oil rather than from manufactures. Indeed, in the latest three months, while the volume of petroleum and petroleum products exports increased by a tenth, manufactures were up by only 1½ per cent. And within the total for manufactures the largest item, machinery, was actually down.

The warning is clear. Oil, while it lasts, is just as useful an export as any other. Oil is not merely an accidental benefit provided by nature, it is the result of the ingenuity and the often dangerous work of many people engaged in its exploitation. But no industrial country of our size can hope to float to success on a sea of oil. What oil does offer is a period of years with a reduced balance of payments constraint. We must use these years to strengthen our manufacturing base and greatly improve our marketing performance.

At the London Summit world leaders re-affirmed their commitment to both expansion and the open trading system. I regard it as very important that the Summit decided that a new impetus should be given to the multilateral trade negotiations. And at the OECD Ministerial Council later this month the British Government will support renewal of the Trade Pledge for another year.

But so long as high unemployment remains widespread, pressures on governments to adopt protectionist policies will remain strong. World trade is still beset with problems. Unemployment is not a disease peculiar to us—about 15m. people within the OECD area are still out of work. Among the main industrial countries all except Germany, Japan and the Netherlands were in current account deficit last year.

In the non-oil developing countries problems are very much worse. Their debts are high and many of them are encountering considerable resistance to their manufactured exports. When the developed countries are suffering exceptionally high unemployment the adjustments to accommodate greater exports from the Third World either cannot be made or can be made only with much greater difficulty.

So far as the U.K. is concerned the significance of this world picture is clear enough. As the managing director of the International Monetary Fund suggested a few weeks ago, it is reasonable to expect a moderate growth of world trade this year. But in a situation where so many countries are confronted by an urgent need to bring their accounts into better balance it is certain that the struggle for markets will intensify. We must strengthen our own efforts in that struggle.

A major factor affecting the success of our efforts will of course be the trend of unit costs in the U.K. as they are expressed in the currency of our customers. A major increase in costs unmatched by improvements in productivity would be very damaging to exports and all the benefits that flow from them.

This point was recently put to me very fairly by the chairman of the British Overseas Trade Board. Readers of the Financial Times will note that in addition to wages and salaries he emphasised the responsibilities of management where unit costs are concerned. By permitting a higher volume of production export sales may provide a way of reducing unit costs.

Finally, I am delighted to see that under the banner of Export Year a great many companies have been taking steps to ensure that the whole of their staffs are provided with the information about their export effort. I am told that over 2,300 firms have registered as running Export Years and that the organisers are now hearing from an increasing number which have found a real response from their workforce. The message that exports means expansion needs to be heard and understood throughout industry.

Britain's biggest exporters are accounting for an ever larger proportion of the country's earnings, and in some circumstances, as GEOFFREY OWEN points out, size can be an advantage. But this is not to denigrate the continuing importance of the small exporter and sub-contractor. MARGARET HUGHES outlines his successes and problems.

Exporters large...

THE STRUCTURE of British industry has been radically altered during the post-war years; periodic waves of mergers and takeovers have led to a situation in which the 100 largest manufacturing firms now account for not far short of half the country's net output. One consequence of this is that a rather small number of companies, some might say a disturbingly small number, are responsible for the bulk of British exports.

According to the latest Department of Industry overseas transactions inquiry, carried out in 1974, half of the country's total exports as recorded in the overseas trade accounts were accounted for by 89 companies in 1974, compared with 100 in the previous year. Two-thirds of total exports were in the hands of only 230 companies, compared with over 300 in 1973.

It is true that the other one third, involving mainly medium-sized and smaller companies, still represents a substantial part of the whole. The case for encouraging small companies to develop and expand their export business is as strong as ever. But it takes a very large number of small companies to produce an aggregate export total in the range of £200m. a year or more, which the top dozen or so of the biggest companies are now achieving; British Leyland and ICI, the two leaders, will soon be passing the £1bn. mark.

Thus the policies of the largest companies, their attitude to exporting as a source of profit and of growth, are of crucial importance to the country's export drive. Fortunately there is some evidence to suggest that the profitability of export sales in relation to the home market has improved considerably in recent years, largely because of sterling depreciation, and that the idea of export-led growth, at least at the level of some individual companies if not of manufacturing industry as a whole, has begun to take hold.

It is true, that the effectiveness of devaluation in increasing the U.K.'s share of world trade has not been as great as was hoped by some economists in the 1960s; the importance of non-price factors is more widely understood. But for some companies sterling depreciation has been a major factor in increasing exports at a rate faster than the other parts of their business. The experience of ICI, which in the past two or three years has been jockeying with British Leyland for the position of the country's largest exporter, illustrates the point.

In 1960 ICI's shipments to Western Europe amounted to only £32m. Most of that business consisted of "in and out" sales, which did not represent any sort of long-term commitment to the Continental market. Last year exports to Western Europe reached £421m., accounting for more than half of ICI's total exports. Interestingly, this spectacular increase has gone hand in hand with the build-up of ICI's manufacturing activities on the Continent, illustrating the value of local plants in stimulating exports from the U.K. As another top exporter, GEC, has put it, "the aim of building up overseas subsidiaries is not to take work away from the U.K. factories but to provide more of it."

ICI sees itself as an international business and its views on exporting are clearly expressed in this comment from one of its directors: "Many of our plants have to be sized at world-scale to achieve costs which will be competitive world-wide—and world-scale plants need world-wide markets. Research and development are costly; to stand a chance of recouping the amounts of money we spend, the resultant products and processes must seek and find world markets. So, too, the sparking-off of new ideas requires essential feedback about what these world markets will do or require. We must have an organisation which operates world-wide and is tuned in to the developing needs of the markets and the activities of our international competitors."

SOME LEADING EXPORTERS

(The figures are for direct exports from the U.K. and relate to each company's financial year ending in 1976, except where otherwise stated.)

	1976 £m.	1975 £m.
British Leyland	897*	589
ICI	822	586
Ford	632	452
British Petroleum	613	278
British Steel	448	386
GEC	405	315
Massey Ferguson	337	243
Unilever	305	234
Hawker Siddeley	299	247
Courtaulds	285†	285
BAC	270	200
IBM	240	178
Rolls-Royce	235	240
Distillers	193	164
Vauxhall	186	151
BICC	165	112
GKN	144	119
Dunlop Holdings	126	98
Tube Investments	125	115
BAT Industries	113	96
Lucas	112	94
Caterpillar	100	85

* Calendar year 1976. † In the financial year ending March, 1977, Courtaulds' exports rose to £405m.

Consistent

Size is not everything in export markets—some of the most consistent records have been achieved by small and medium-sized specialists—but it can bring certain financial advantages. This does not only apply to the competition for the so-called jumbo contracts, which involve special financial obstacles discussed elsewhere.

It applies, for instance, to the negotiation of major deals in the Soviet bloc.

Very few British companies could have dared to enter into the commitment which Massey-Ferguson has made in Poland for the manufacture of tractors and diesel engines. It is the biggest overseas manufacturing project which this company has ever undertaken. Quite apart from the financial risks, the decision to take it on implied a willingness to make available management and engineering resources which most companies simply could not have spared from their normal business operations.

Massey-Ferguson, of course, is a somewhat special case; it has had many years of experience in handling overseas projects of this sort and has built up the necessary staff to handle them. But it is precisely this kind of worldwide commitment, and the spread of risks which is involved, which is only feasible for a very large company with substantial financial resources behind it.

Similar considerations apply to the recent £150m. railway contract which GEC won in Brazil. Because of Brazil's serious balance of payments problems the need for a substantial element of local manufacture was one element in this contract; another was the development of a financial package, worked out in conjunction with Morgan Grenfell, which would suit the customer's needs.

If a company like GEC is to increase its share of world markets, it has to compete for, and win, more of the very largest contracts—for power stations, railway installations and the like—which are often awarded on a "turnkey" basis, with the supplier taking full management responsibility for the entire project.

It may be that some sectors of industry in the U.K. are not yet well enough organised to handle these projects. This is not necessarily a matter of creating larger companies through mergers; but possibly in a field like machine tools there has been some reluctance on the part of British companies to group themselves into consortia for the purpose of winning major contracts—for instance, the construction of a major truck manufacturing plant in the Soviet Union—and this business has gone to other countries, notably West Germany.

This problem, however, is being tackled not just in the discussions on jumbo contracts, but in other ways. In the meanwhile, the emergence of British-owned contractors compete effectively giants of the U.S., th and Japan, should siderable fillip to heavy plant and The spectacular recently by Davy I in the Soviet Union order for two meth —indicates both the of British firms in these huge contract ability to put to extremely complex and commercial including a buy-ba ment for part of the from the new plant necessary to secure Clearly a company up very carefully t committing itself to but in this type of financial enginee management resou large scale are ess

SIZE DISTRIBUTION OF LARGE EXPORTERS

Size of direct exports	1971 No. of companies	1971 Amounts (£m.)	1974 No. of companies	1974 Amounts (£m.)
Over 50m. ...	23	2,588	36	6,840
£20m.-£50m...	44	1,275	85	2,621
£10m.-£20m...	70	1,000	109	1,532
£5m.-£10m...	118	832	180	1,304
£1m.-£5m. ...	584	1,325	766	1,813
Under £1m. (incomplete)	859	326	636	318

Source: Trade and Industry, July 16, 1976.

The figures are based on a Department of Industry inquiry among companies which covered 87 per cent. of total U.K. exports in 1974. The remaining 13 per cent. of total exports would have come from several thousand small firms in the under £1m. category.

...and exporters smal

DESPITE THE small exporter's significant contribution towards Britain's export effort there are virtually no official statistics available to illustrate their role as was discovered by the Bolton Committee during its inquiry into the role of the small firms in the national economy.

The nearest it could get was a survey carried out in the North West by the Department of Trade, and that was published some years back. And still there is no direct monitoring of their export activities, the problem being that small exporters are not confined to particular industries, while a large part of their exports are indirect as sub-contractors to the large exporters.

But from the North West survey and other one-off surveys which have been conducted from time to time, it seems that their contribution to exports is rather less than their contribution to the national economy—small companies are said to produce 20 per cent. of the gross national product and to employ over 25 per cent. of the working population.

By a process of deduction various figures have been put on their export contribution. According to a 1973 survey 85 per cent. of exports were accounted for by the 1,608 large companies. The small exporters contribution was thus put at 15 per cent., but this, of course, included the medium sized as well. It was then estimated that the small companies' contribution was probably in the 5 to 10 per cent. range. This, however, did not include the substantial sub-contracting work undertaken by small companies.

In certain sectors such as chemicals, textiles, rubber, clothing, footwear, miscellaneous manufacturers, leather, cork, iron and steel manufactures they tend overall to export a higher percentage of their total exports than the large companies in the same field. The reverse is true, however, in the electrical and non-electrical machinery and transport equipment sectors.

Profitable

Their export business is often more profitable, too, with, not surprisingly a high ratio of sales per employee. Also by virtue of their size they have the advantage of flexibility and adaptability to adjust to both new markets and changes in existing markets.

Virtually all large companies have many small suppliers, and most of these that export obtain goods and services from small companies, many of which are incorporated directly into products or services for export. Small companies also contribute both directly and indirectly to invisible exports, the most obvious example being the hotel and catering companies engaged in the tourist business.

Their contribution to the export effort does not go unnoticed. Small companies feature regularly each year in the Queen's Awards for Export. This year there were 21 companies with under 100 employees among the 106 winners, the smallest of which, Bowling Reproductions of Cross Hands, Llanelli, which won its award for exports of reproduction furniture, employs only 12 people.

Notably, most of the small company winners exported a very high proportion of their total output, mostly over 60 per cent. with some, such as John Robson (Shipley) horizontal diesel engine exporters, Quest Automation, which exports computer-based systems, and Coronet EM, a small pump manufacturer, exporting as much as 90 per cent. of their total production.

This tends to bear out the principle that for a small company to enter the export market he needs to have either a very flexible product suitable, without too much adaptation for both domestic and home markets or to concentrate on one market—the export market—and design exclusively for this rather than carry the overheads needed to produce two parallel lines.

But while they are acknowledged through the Queen's Award and may gain from the publicity that goes with it, the cry, all too often, is that the small exporter is largely forgotten. Government legislation and the financial institutions, small companies say, is far too geared to the "big boys" of British business. And while this plea may have been overstated it is nonetheless in many ways true—though things are improving.

Facilities

Since publication of the Bolton Report in 1971 several new facilities have been set up to help small companies by the Government, banks and other financial institutions. The services available to exporters as a whole are, of course, also there for the small exporter.

But it is not so much the lack of facilities which is the problem as the exporter's failure to make full use of them—often because he is unaware of their existence or does not provide enough detail about his company when he does approach these organisations for advice. It is largely a problem of communication which is gradually being appreciated—more is now being done by the Government and banks in particular to publicise their facilities and to urge the exporter to make use of them as early as possible in his export negotiations.

It was to meet this need that the Small Firms Information Centres were set up by the Department of Trade after the Bolton Report to act as a signpost to point small exporters in the right direction. Once the potential exporter approaches one of the ten offices in London and the provinces, the staff are able to direct them to the appropriate Government and other organisations.

These include the Department of Trade's own commodity officers, the BOTB and all its facilities (which are covered in a separate article), the relevant Chambers of commerce, the CBI, the international division of the clearing banks the Export Credits Guarantee Department, local legal services, the British Export Houses Association the British Standards Institute, which supplies information on technical requirements overseas shipping, and forwarding companies, export clubs, commercial libraries, etc.

If the company plans to export direct then he (or his staff) will have to either visit the market himself and be prepared to do so regularly, which can be costly, or appoint a competent and trustworthy agent. Before doing either he should consult fully with the organisations just mentioned, leaning heavily on the commercial staff at overseas embassies.

Many companies, however, may find the additional paperwork and manpower which exporting requires too daunting—documentation presents a particular problem—it is estimated that as much as 70 per cent. of all documents are incorrectly filled. Without the correct documents the exporter will be unable to raise the vital finance necessary for his exporting operation.

The solution to this problem is to turn to the export houses which were the original British exporters and as such are experts in merchanting. They fall into seven main categories—export managers, merchants, manufacturers export agents, buying houses, finance houses, factors and confirming houses. They tend to specialise in particular categories of goods in particular markets and will, depending on their own individual service, take over the whole transaction for the small company including shipping, forwarding, customs clearance, financing and debt collection. It is estimated that export houses are responsible for handling, promoting or financing some 20 per cent. of British exports.

The advantage of the export house is that it will pay the exporter in cash for his goods and offer the overseas buyer credit at his own risk, taking the complex documentation over as well. Their flexibility also allows them to tailor their services to the requirements of a particular exporter. The main disadvantage is that by handing over his business to the export house the small exporter loses control over the marketing of his product.

But perhaps the biggest problem for small exporters is cash flow and therefore export finance both to finance production and to provide the longer period of credits than is normally required by domestic customers. The facilities available to small companies are the same as for any exporter and are detailed elsewhere in this survey. But many small exporters feel that export finance, like any other kind of finance, is too much oriented towards the bid companies. In particular they find the various minimum limits set by ECGD too high.

Criticism

The ECGD has gone some way to meeting this criticism by lowering the limits for cost escalation and performance bond cover, but these new limits are still far too high for many small exporters. But when small exporters attack the ECGD scheme the department tends to counter by pointing out that when it did tailor a facility specifically for the small exporter, namely the Small Exporter Policy, it withdrew it through lack of demand. The cost, which was higher than for the normal comprehensive policy, may have had something to do with that.

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Britain's share of world exports has declined in the past decade, while other countries, especially Japan, have moved ahead fast. LORNE BARLING discusses just how much this is the outcome of forces beyond our control, and how much the failure of exporters to recognise and adapt to changing market patterns.

Trade patterns change

WITH THE increasing flow of North Sea oil, Britain's trade balance will continue to improve, but this fortunate state of affairs does not reduce the need for industry to regain the position it has lost in world export markets.

This decline has been continuous over the ten years up to 1975, with Britain's share of manufactured export goods falling from 13.8 per cent. of the world market in 1965 to 9.3 per cent. in 1975, although there was a slight improvement in 1974. During the same period Japan's share rose from 9.4 per cent. to 13.6 per cent., and West Germany, France and Italy have all increased their shares.

It is clear that Britain's poor performance during the ten years has been caused partly by a fundamental change in markets, with Commonwealth and former Commonwealth countries playing a less important role while European exports have risen strongly. However, the inability to adapt to changing conditions in export markets has clearly been a cause of the problem.

Western Europe now accounts for more than 50 per cent. of U.K. exports, compared with little more than 40 per cent. ten years ago, and similarly exports to oil exporting countries have risen in response to demand from these countries.

As in other industrialised countries, the enormous wealth of the Middle East and other oil producers has caused an unprecedented shift in the U.K. trade pattern. The soaring oil deficit at the end of 1973 was partially corrected by exports in 1974, and with some fluctuations this deficit has been steadily reduced. In the first quarter of this year there has been a small surplus with the oil producers, with U.K. exports valued at £1.4bn. and imports at £1.3bn.

Constraints

However, trade with EEC partners continues to present serious problems, and the U.K.'s visible trade balance with the Community has markedly worsened since 1970. Although trade with the EEC increased rapidly in both directions in 1974, the growth in imports was higher than that of exports, continuing the downward curve into a deficit of £2bn.

At the same time there was a sharp rise in the trade in oil and in chemicals, in large measure reflecting the impact of the oil price rise at the end of 1973, although supply constraints in the U.K. were a contributory factor to increased imports of plastics and iron and steel from the Community. Food imports from the EEC also rose sharply.

The rate of growth of U.K. exports to the EEC also slowed in 1975 with the recession in economic activity there, and although the rate of increase of imports also slowed, the deficit continued to widen, mainly reflecting the continued rise in food imports. However, there has generally been an improvement in the U.K. deficit with this area since the third quarter of 1975, and this should continue with the continuing flow of North Sea oil.

Although it may be easier to sell U.K. products in other markets in the short term, the products must also be competitive within Europe itself if they are to remain in demand. There is no doubt, however, that the mix and range of British products is now adapting to the new market conditions.

Exports of chemicals, for example, which are a vital part of industry in view of North Sea oil and the feedstock it will provide, have increased in the decade up to 1975 from 9 to 11 per cent. of total U.K. manufactured exports. On the other hand textiles, largely because of increased Far Eastern competition, have decreased from 5.5 per cent. to 3.5 per cent. Machinery as a whole has risen from about 27 per cent. to about 30 per cent., and in terms of the overall export effort, the engineering sector must remain the key to success. As an adjunct, transport equipment, which has fallen slightly as a share of the total, has good prospects.

The most recent figures show that the volume of exports of machinery fell in the first of the total machinery and trans- quarter to its lowest quarterly level since the end of 1974. Shipments of transport equipment and of chemicals (which had increased strongly during 1976) were also lower. Ironically, these falls were offset by increased deliveries of metals, textiles and other manufactures.

Among non-manufactures, exports of fuels have continued to increase rapidly, mainly reflecting the sharp rise in crude oil exports, which were valued at £162m. in the first quarter, compared with £90m. in the previous quarter and £18m. in the first quarter of 1976.

Speculative

Moreover, the volume of imports of fuel has fallen in recent months, reflecting both the end of speculative stockbuilding before the OPEC price rises and increasing production from the North Sea. In line with this fall in fuel imports, arrivals from oil exporting countries have been smaller, but increases in the cost of coffee, tea and cocoa have contributed to a sharp rise in the import bill from developing countries.

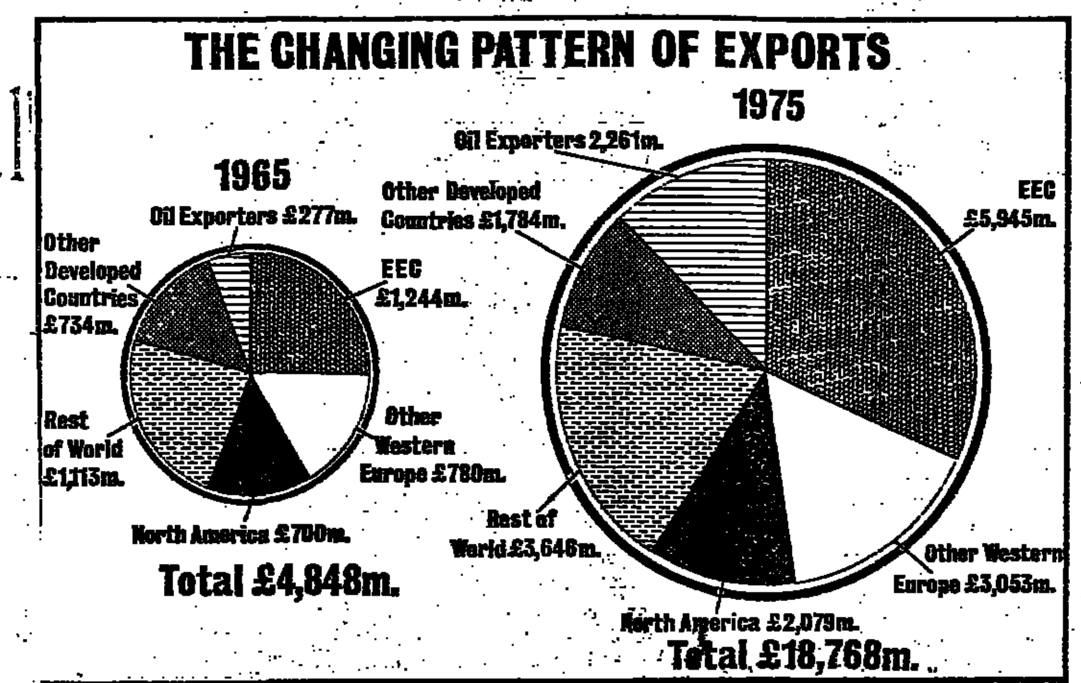
Figures indicate that Britain's performance in the field of machinery and transport equipment has been disappointing in terms of the U.K. share of exports to main manufacturing countries (MMC).

Department figures show that the U.K.'s falling share of MMC exports of machinery and transport equipment (which has also occurred in the case of the U.S.) has been mirrored by the rapid rise of Japan. Between 1963 and 1974 the Japanese share of MMC exports of electrical machinery rose from 9 to 17 per cent., and of transport equipment from 6 to 21 per cent. In 1975, however, Japan's share port equipment markets suffered a reverse, as did the West German share. The main beneficiaries were France and the U.K.

The bulk of U.K. exports of other semi-manufacturers is concentrated in metals, precious stones and textiles. Besides the U.K., the U.S. and Canada have experienced a generally falling share of this commodity group in the period 1963 to 1975, although the U.S. share reached a low point in 1972, since when it has increased again.

In the whole period the U.S. share moved from 13 to 10 per cent. and the Canadian share from 9 to 5 per cent. Again West Germany and Japan increased their shares, but the U.K. and France regained some of this in 1975.

Although Britain's balance of payments is moving steadily towards surplus, it is regarded as essential that the breathing space allowed by North Sea oil be used to boost productivity in key industrial sectors so that they become more competitive in European and world markets.



The Dubai International Trade and Exhibition Centre project, being constructed by Bernard Sunley and Sons.

A variety of advice and assistance is available to British exporters. There has been an expansion in the facilities offered by the Export Credits Guarantee Department, which are described by MARGARET HUGHES. Below LORNE BARLING outlines the work of the British Overseas Trade Board.

The role of the ECGD

BY FAR the most significant development in the export finance field for some time is the Government's decision to switch buyer credit financing out of sterling and into foreign currency.

This change of policy has received a generally hostile reaction from plant contractors—the exporters whom it affects—since 90 to 95 per cent. of Britain's plant exports are financed through buyer credits. But two events which have taken place recently should help to make the new scheme more acceptable.

The first overseas contracts to be financed in foreign currency have now been concluded—so far all have been in dollars. Of these the Davy Powergas Soviet deal is a major breakthrough. Second, the Export Credits Guarantee Department (ECGD) is drafting a scheme to provide cover for exporters against exchange risk during the period between tender and actual award of the contract—which can be anything up to 12 months. From the contractor's point of view the exposure to currency risk during this intervening period has been one of the more strongly criticised aspects of the scheme.

When submitting his tender the exporter now has to quote in foreign currency though still calculating his costs in sterling. In determining his price he has to estimate the amount of sterling he will receive for a given quantity of foreign currency by selling forward during the period of the contact. This will inevitably be based on the forward rates prevailing at the time of tender although the exporter would not normally enter into a forward commitment at this stage.

Should sterling have depreciated on the forward market by the time the contract is awarded the contractor stands to gain, but conversely if sterling appreciates—which some feel is likely in the short-term—then he would make a loss. ECGD's scheme, which it is now discussing with the CBI and various trade associations, is likely to offer a guaranteed exchange rate which would be reviewed every three months. There would probably be a lower threshold, probably two to three per cent., up to which the exporter would have to bear the risk himself and an upper limit of say 20 per cent.

The exporter will have to pay an additional premium whether or not he wins the contract. Industry is likely to object strongly since this would create a precedent. ECGD will make up the loss if the exchange rate goes against the exporter, by the same token ECGD will take the profit if it moves in the opposite direction.

Palatable

But while this may help to make the new buyer credit scheme more palatable it is likely to take quite some time for it to become popular with contractors, if ever. There are several reasons for this but the main objection is that the scheme is now, or soon will be, virtually compulsory for all capital goods contracts in all markets.

Contractors, or some at least, do see the value of the scheme for particular deals in certain markets. Indeed two years ago, when sterling rates began to depreciate sharply and inflation soared here, a few contractors and their banks lobbied ECGD to introduce such a scheme. They felt that the ability to conclude a capital goods contract in a hard currency and then use the forward market would be a crucial factor when tendering for overseas orders. It was estimated that it could give a price advantage of between 3 and 6 per cent. over contractors tendering in sterling.

This is because through selling his dollar payments forward for sterling while it is at a discount on the forward market the contractor stands to make a gain which he can either keep or use to quote a lower price.

When the new facility was first introduced last autumn it was available only as an optional facility and was on the whole welcomed by industry.

However, in its December mini-budget the Government decided to make it as far as possible compulsory for buyer credits, and to a lesser degree lines of credit, as part of its public expenditure cutbacks — foreign currency financing both eliminates refinancing and, at current interest rate differential, lowers the interest rate subsidy on buyer credits.

And it is this which rankles, for by now much of the competitive advantage has been lost as currencies have stabilised, so that many contractors and bankers feel that the scheme has come too late to be effective. Contractors have also encountered considerable resistance from overseas buyers, all too well aware of the advantages of paying for their imports in a weak currency like sterling, since it costs them less in terms of their own currency than financing in dollars or D-marks.

Added to this many exporters are unaccustomed to forward exchange dealings and find the whole business far too complicated. They do not have the financial expertise to handle it while the documents involved reputedly run to a nightmare 88 pages.

Acceptance is less of a problem in countries which are already dollar oriented or which, because of their large credit needs are in no position to dictate credit terms. But some countries, such as Brazil, stipulate that contractors must be financed in the exporter's own currency. The Italian contractor Impiant had do drop out of the Acominas steel project in Brazil last year for just this reason—the inability to finance in lira. But it seems that Brazil can be flexible when it wishes, for it has just negotiated a $40m. line of credit with Lloyds Bank International to finance offshore technology and equipment purchases in the UK.

A similar situation currently exists in Morocco where British companies are hoping to pick up some of the 23 contracts associated with the first major steelworks to be set up there at a cost of some $400m. In this case it is believed to be the World Bank which has stipulated that financing should be in the contractor's own currency.

Although ECGD is able to exercise some flexibility at this stage, it is an acknowledged fact that as it reaches its sterling limits it will have to apply foreign currency far more rigidly—the situation looks ripe for some political storms in the months ahead when, for instance, jobs or industry may be at stake.

The Davy Ashmore Soviet deal illustrates well both the advantages and disadvantages of the scheme. Without the price advantage from foreign currency financing Davy-Powergas would not, it seems, have won the contract. For when the company was quoting a sterling price it looked well out of the running. It was only when its bankers Morgan Grenfell, helped by ECGD, were able to convince the Soviets that Davy could match its main West German competitor when quoting in D-marks that the contract looked like coming to the U.K.

At this stage the Soviets then asked Davy to quote in dollars, and by doing so its quote proved to be somewhat lower than the competitor's, and this apparently, clinched the deal. Not that the negotiations were anything like as straightforward as that.

The Davy-Powergas deal has also confirmed the Bank of England's willingness to guarantee a forward market for the duration of the contract period—normally forward markets for currencies like the dollar or D-mark are only available for about 12 months.

The details have yet to be announced or indeed finalised, but it seems likely that the Soviets were offered one or two sweeteners—possibly agreement to finance 85 per cent. rather than the more usual 80 per cent. of the contract, and maybe there were some concessions on finance charges. It is understood that although the tender to contract cover is not yet a scheme as such some cover was offered to Davy-Powergas.

But all involved acknowledge the crucial role which dollar financing played in securing this £147m. contract—the biggest ever in Anglo-Soviet trade. Although this was not the first ever U.K. contract to be financed in dollars—the first was a $40m. project line of credit for Dubai—it is the most significant because the Soviets along with their European neighbours have been among those who have shown the greatest resistance to the scheme.

The signing of this deal proves, however, that the Russians will accept the new buyer credit financing provided they can see a tangible advantage. But there should not be too much euphoria, for it does not necessarily mean that they will accept it for all future contracts. This was pointed out by Mr. Edmund Dell, Secretary of State for Trade, during his visit to Moscow late last month, when he indicated that they had accepted dollar financing because they could not get comparable equipment elsewhere.

The Soviet deal thus aptly demonstrates the scheme's use in giving a contractor a price advantage but at the same time shows that this is only really applicable in particular circumstances. From Mr. Dell's comments in Moscow it is obivous that the Soviets are still basically opposed to the scheme. And talking to bankers and contractors there is still strong resistance elsewhere to the scheme. Blanket application of the scheme by ECGD is therefore likely to remain difficult despite this breakthrough.

A tough task facing the Government this summer, when it will be renegotiating interest rates on the infamous £950m. cheap credit package, will be to persuade the USSR to switch £600m. or so of this credit still outstanding to dollars. Hopes of success are not very high.

Another decisive factor on the financial side of the Davy Powergas deal was that the company used the much publicised, but so far little-used cost-escalation scheme which, if used alongside foreign currency financing, is available to exporters at the more favourable terms previously confined to cash contracts.

Despite the considerable agitation by industry to get such a scheme introduced more than two years ago, by the end of last year only two contracts worth a total of £62m. had been concluded using cost escalation cover and, ironically, the first was for a South African deal. But there are now signs that interest in the scheme is picking up. Six contracts have now been signed using the scheme—excluding the Davy-Powergas Soviet deal—worth a total of £164m.

Guarantee

ECGD has had rather more success with its performance bond guarantee scheme, which was introduced at the same time as cost escalation, despite recent remarks by Lord Weir when he threatened to take his group's export business out of the U.K. because of insufficient support for performance bonds and a general demand from industry for a more exclusive scheme.

This scheme also got off to a slow start. Only four guarantees were issued in 1975, but this was followed up with 25 last year. And by the end of April this year a total of 42 guarantees had been issued since the scheme first started, covering contracts totalling £607m., while the amount of business under negotiation using guarantees totalled £2bn.

But if foreign currency financing is claimed to be too complicated for exporters then cost escalation certainly is—even bankers throw up their hands in despair. The complexity of the calculations and the tortuous records which have to be kept has forced several contractors to put the whole thing on to computer. But not all exporters have such a facility and simply find the scheme more trouble than it is worth.

Those that have used it swear that without the cover they would never have been able to tender (and win) the contracts concerned. In its present form the cost escalation scheme is held to be a good deal better than the original version, though contractors are still quick to point out that it still compares unfavourably with the French Coface scheme which has a lower initial threshold and is also open-ended.

But whatever the arguments for and against, the days of cost escalation schemes are in any case numbered, for the EEC Commission, in conjunction with the Americans, are committed to abolishing it along with other schemes such as "credits mixtes" which they consider to be a direct export subsidy.

So far the Commission has had little success, and although the Treasury was known to have been keen to drop the U.K. scheme when it came up for review last March, it was, in the event, given another year's life. But by the next review point the situation is likely to be different, given that the EEC has now achieved a consensus on export credits following the gentleman's agreement reached in June of last year by the main exporting nations.

The intention of the consensus, of course, is to reduce competition and, limited though it may be at present, gives hope to those that believe that exports are all too often virtually given away to overseas buyers. The pact comes up for review at the end of this month, but there is unlikely to be any change in the terms agreed last year. It will be merely a point of consolidation with more countries probably joining the 15 now involved.

Elimination of competition is obviously in the interest of all exporting countries, but there is no real guarantee that the participants will abide by the pact when the national interest is at stake. As one banker put it "the French are commercial while the British are gentlemen, and when it comes to the gentleman's agreement, the British being gentlemen, will abide by it, but the French, if they do not actually bend the rules, will at least bend the spirit of the agreement—to their own commercial advantage."

The gentleman's agreement sets minimum rates of interest and maximum repayment periods for three categories of buyer countries based on the GNP per capita and sets a minimum cash down payment of 15 per cent. For credits of 2-5 years the minimum rate is 7.75 per cent. for rich countries and 7.25 per cent. for all others. For credits of over 5 years the minimum is 8 per cent. for rich countries 7.75 per cent. for intermediate and 7.5 per cent. for poor countries. The maximum length of credit for rich countries will normally be 5 years, for intermediate countries 8½ years and for poor countries up to 10 years.

Convenient

In practice this may prove merely to be a convenient form of agreement which effectively allows the participants to do much as they like. If one member wishes to deviate from the guidelines, all that is required is that other members be notified while certain key areas such as agriculture and nuclear plant are not covered. Shipbuilding and aircraft are also outside the scope of the agreement as they are already covered by OECD guidelines.

In fact, the British and French official export credit organisations are generally reckoned to be the best, the French having the edge largely because of the more commercial way in which it is used. Britain's ECGD does a much bigger volume of business of course—more than the whole of the EEC put together—which inevitably makes decision-making slower and more cumbersome. Contractors are already complaining that foreign currency financing will put them once again at a disadvantage compared with French contractors because it is so time consuming for contractor, buyer and ECGD.

But despite general complaints about too much bureaucratic red-tape, contractors emphasise that when a large order is at stake then ECGD pulls out all the stops and will involve their top experts in the negotiation. The trouble is that there are not enough of them around to handle all the work passing through the department.

Government aid

UNDER THE British Government's strategy of boosting exports as a first step towards reviving the country's economy, it is hoped that potential exporters will make the widest possible use of the array of export services offered through the British Overseas Trade Board.

The Board, which was established as recently as 1972, aims at assisting where possible British companies which are involved in the increasingly complicated and competitive business of exporting. To achieve this it offers a wide range of services, often at little or no cost.

Coinciding with the Jubilee, the Board is also responsible for the current Export Year, in which 2,300 companies are now taking part. Although exercises such as this have been criticised as ineffective, Export Year's comparative success is clearly a result of involvement at all levels.

Trade unions and shop floor workers have responded strongly in many instances, perhaps through the realisation that jobs are directly at stake when home markets are shrinking and competition for exports is strong.

Strongly

In some cases workers have responded strongly to appeals from management to get orders out on time in an effort to maintain the company's record for reliability and thus to win more orders. The Confederation of British Industry and the Trades Union Congress have been closely involved, and some shop floors have asked for the scheme to be voluntarily continued after the campaign is officially over.

But this is only one of the incentives to exporting; any company wishing to sell abroad can avail itself of a comprehensive package of assistance through the BOTB, often in co-operation with a trade association or Chamber of Commerce.

As a starting point, a company can get a market assessment for its particular product through the board's export services and promotions division. In addition, if the company is willing to supply information on its product or service, it can obtain a quick preliminary assessment to judge whether there is a market in a particular country.

In a step-by-step approach, the Board can then provide details about tariffs and customs regulations, import duties, taxes and other essential information about a country before any sales effort is decided upon. Sometimes small samples of goods manufactured overseas can be obtained at little cost to test the strength of competition.

Financial support is also available under specific circumstances for trips abroad, which are usually in the form of trade missions organised through trade associations. Similarly, aid can be provided for British companies wishing to invite overseas businessmen to the U.K.

While on a trip abroad, company employees can also count on valuable advice and assistance from embassy commercial officers who are continually in touch with local markets. These officers can greatly reduce the time needed to get business done, for example, by collecting information before arrival and helping in making trade contacts.

However, it is stressed that the amount of help the commercial officer can give is largely dependent upon the amount of information made available to them through the Board, which has a network of regional offices designed to provide ease of access.

Although commercial officers cannot themselves provide interpreter or translater services, they can put businessmen in touch with local agencies for such services, as well as for advertising and information dissemination.

One of the crucial aspects of exporting is foreign representation; experience has shown that poor representatives can contribute to the failure of a product or service which could be highly successful. The key to success here is finding an agent or representative most appropriate for the operation.

Commercial officers can provide a good deal of assistance in this respect, but again they require the fullest possible briefing about the exporter's requirements and intentions.

The BOTB can also help in pointing out the special requirements of agreements of this kind in particular countries.

The BOTB can also provide a list of potential importers and manufacturers of a wide range of products in most overseas countries, and has information about the commercial standing of overseas companies. This is particularly useful in establishing whether a company is suitable to act as an agent or representative. The reports do not, however, include credit ratings or detailed financial information and such details should be obtained through banks or other credit reporting agencies.

Differing

One of the pitfalls of exporting remains the widely differing conditions in various countries, particularly in relation to trade regulations and restrictions. The Department of Trade's commercial relations and exports divisions (CREs) are designed to assist in this respect.

They are primarily responsible for Government-to-Government commercial relations, which help to create the best possible climate for British trade in general and with particular countries. For example, an exporter may wish to know how a commercial treaty or trade agreement with another country can affect his particular business.

These divisions are also concerned with the potential of overseas markets and the most suitable strategies for supporting industry's efforts to increase exports to them.

In the case of Communist countries, for example, a division can offer advice on the special conditions which exist there. This includes the growing incidence of compensation trade under which importers may seek a linked transaction which will involve the export of their own goods. Similarly, advice can be offered on the means of undertaking joint ventures in these countries.

Exporting to Japan, a prospect which many manufacturers are optimistic about in view of changing Japanese policy on trade and the huge potential market, is covered by the BOTB's Exporting to Japan Unit, which is responsible for long-range planning. The unit also co-ordinates the different forms of assistance now available to British exporters.

The focal point of the British export effort in Japan is the British Export Marketing Centre in Tokyo, a unique means of promoting products through exhibition in a country where conditions are difficult and quiet alien to many companies.

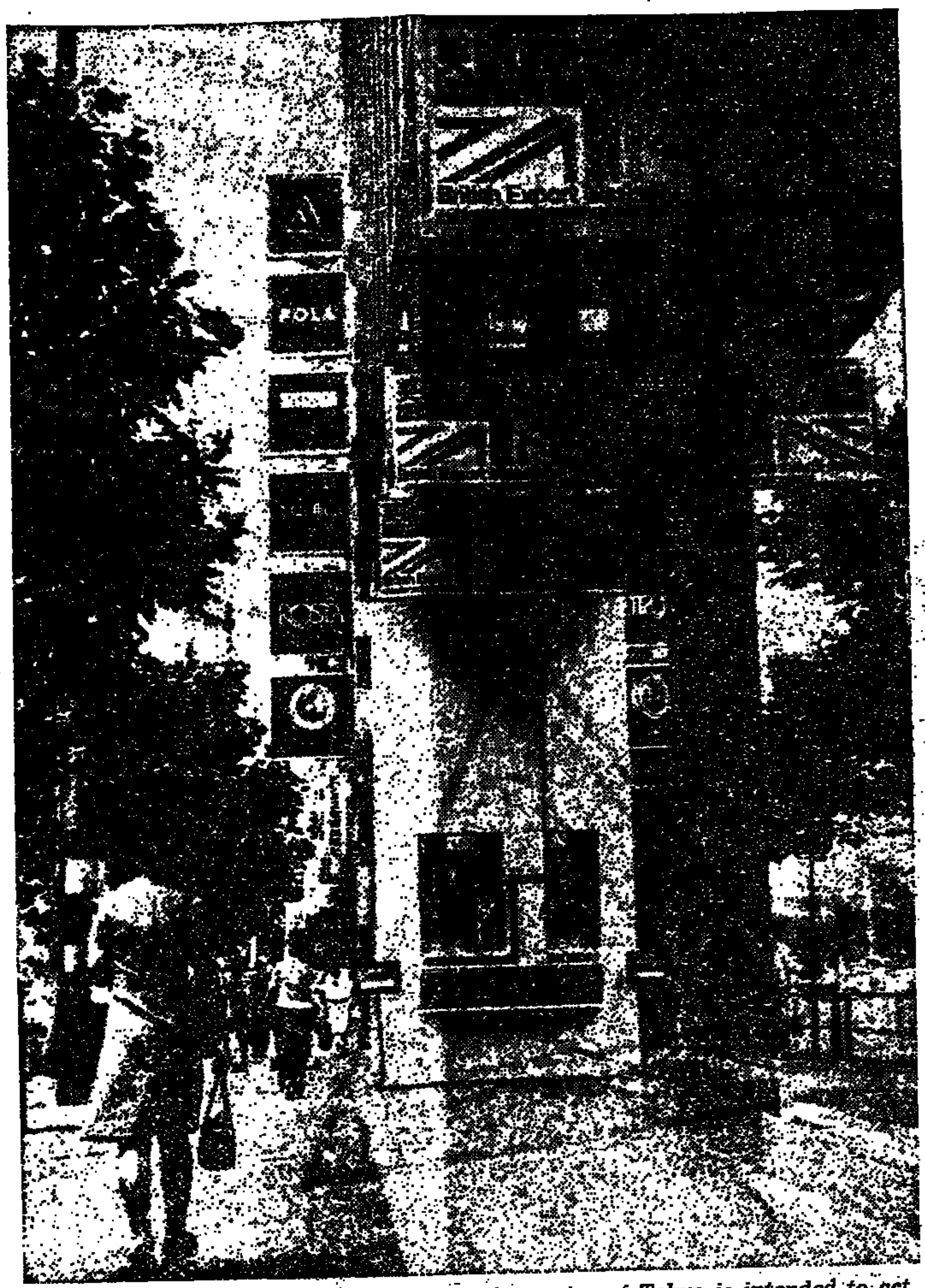
For larger projects, an increasingly important part of U.K. exports to developing countries which are seeking to build up their industrial base, the Overseas Projects Group acts as a fresh central point to which contractors may look for official support. The group was established in recognition of the fact that special forms of Government support are necessary in this type of business.

The group administers the overseas project fund, from which contractors may in certain circumstances be aided towards the cost of activities preceding contracts, excluding the actual cost of tender preparation.

Although the level of support for overseas trade fairs and exhibitions has recently been cut back, there remains considerable aid for these events in the form of subsidised exhibition space and travel allowances of various kinds.

Perhaps one of the most important tools of the exporter is the knowledge of available business. The Department of Trade's Export Intelligence Service, which is available on a confidential basis to subscribers, aims to provide early information of a wide range of business available all over the world. Much of this is passed through commercial officers who are constantly seeking to give British exporters the advantage of forewarning on work available.

This range of services, which does not include the financial side of Government support, is generally regarded as comparable to or better than most of the U.K.'s industrial competitors. There is no doubt that some services could be improved, but it is clear that the success of the exporter depends largely on his own efforts and his ability to use the services to his best advantage.



The British Export Marketing Centre in the centre of Tokyo is intended to act as a showcase for British exports in Japan.

The provision of credit facilities has become such an important weapon in the exporter's armoury that no country nowadays can afford to fall short, especially where the bigger contracts are involved. Here MARGARET HUGHES reviews Britain's export credit machinery.

Lines of credit

CASH MAY BE the ideal form of payment for exports as with anything else, but in a competitive world there is ever increasing pressure on exporters to offer credit—so much so that the credit terms offered can be every bit as decisive as product quality and delivery times in winning overseas contracts. Credit competition has become so intense that overseas customers are now able to buy their goods very cheaply.

Not all exporters, however, are either able or prepared to finance this credit from their own resources. So over the years a wide range of export finance facilities have evolved.

Export finance falls into various categories depending on whether it is available on commercial or preferential rates on whether it is short, medium to long-term, and on whether it is available with or without recourse to the exporter.

Traditionally the bulk of British exports has been sold on cash or short-term credit, with the result that financing has been mainly through straight bank overdraft. This is still used to a large degree, mainly because it is uncomplicated. But it is expensive and in the current economic climate not always readily available, the banks usually requiring some form of collateral.

Bank advances provided by the clearing and merchant banks against bills of exchange is the usual method and is still widely used The bill can be discounted when the exporter sells the bill to the bank at a discount for cash—or it can be negotiated, in which case the exporter will get cash in advance up to an agreed proportion of the bill.

In both cases the bank has recourse to the exporter—he is not protected against the buyer's failure to pay. To secure some protection it is preferable, where possible, to obtain an irrevocable documentary letter of credit whereby the overseas buyer's bank opens a letter of credit in London in the exporter's name and effectively guarantees to pay the bill.

Diversified

Trading on open account, though once a well established method, is little used nowadays because markets have become more diversified. Buyers and sellers are less familiar with each other and the risks are therefore high. Acceptance credit is used mainly to finance a steady flow of large-scale business whereby an accepting house opens an acceptance credit in London for the foreign buyer. The deal can then be financed by bills drawn on the accepting house which are readily discounted to give the exporter his money quickly.

If the exporter is an ECGD policy holder then these forms of financing can be obtained at more attractive rates, though not all policy holders take advantage of this. The holding of a policy itself represents an assurance to the banks and if necessary the exporter can assign his policy to the bank as additional collateral for overdraft facilities.

The main reason for taking out an ECGD policy, bearing in mind that in providing the finance the bank has recourse to the exporter, is that it covers the exporter against non-payment by the buyer. In addition to the commercial risks covered, it is the only insurance available against political and exchange transfer risks.

Insurance is provided in two ways, depending on the type of business covered. Exports sold on short-term credit, which account for as much as 85 per cent. of ECGD business, is covered by a Comprehensive Policy with a supplemental Extended Terms policy available when credit is given over a longer period. Projects and large capital goods business of high value sold on lengthy credit terms are covered by Specific Policies negotiated on an individual contract basis.

Providing this cover is ECGD's main business, but equally important it gives access to export finance at concessionary rates by providing 100 per cent. unconditional repayment guarantees to banks on payment of an additional premium by the exporter.

For short-term credit business two schemes operate, namely the Bills Scheme and the Open Account Scheme, the former being the most widely used. Against these the banks will advance finance at ½ per cent. above base rate the guarantees covering the full face value of the bill.

The guarantees mean that the bank has no recourse to the exporter but the exporter has to sign a recourse undertaking with ECGD giving it the right to recover from him any payments it has to make to the bank in excess of the claims payable under the exporter's ECGD policy.

Security

The commercial insurance market, although predominantly domestically oriented, will also offer cover against commercial risks and may sometimes offer delivery guarantees for exporters as security that their overseas customers will be compensated for loss if they default in the execution of a contract.

Medium-term finance is usually provided by the clearers, export finance houses and other financial institutions with the merchant banks usually acting as intermediaries — arranging the finance and sometimes putting up a limited proportion of the money themselves.

Since banks usually require "harder" security for this time of lending the bulk of medium- and long-term finance is advanced against ECGD guarantees which cover the bank to the extent of 100 per cent. of the credit allowed to the buyer.

In the case of supplier credits the exporter offers the overseas buyer extended credit, financed by the banks against bills or notes. There is no recourse to the exporter from the banks but the exporter has to sign the usual recourse agreement with ECGD.

The finance made available by the banks is at fixed preferential rates which are now in line with the guidelines reached in the "gentleman's agreement" or consensus last year by the main exporting nations in an attempt to eliminate credit competition.

Where the exports concerned are large capital goods contracts involving lengthy construction periods the exporter may, for a variety of reasons, prefer to negotiate and be paid in cash terms on or before shipment. Through the buyer credit scheme a loan is advanced directly by the exporter's bank or a consortium of banks to the overseas buyer on repayment terms equivalent to the credit the buyer might expect from the supplier. In this case the ECGD guarantee covers the bank (rather than the exporter) against non-payment. Recourse to the exporter is therefore much more limited and only applies if the exporter is in breach of his contract.

The loan usually covers 80 to 85 per cent. of the contract value, the buyer being responsible for paying the remainder including advance payment direct to the contractor. The rates of interest are basically the same as for supplier credits except that where buyer credits are now financed in foreign currency they will be at the lowest rates permissible.

A variation of buyer credit is the lines of credit arranged between a U.K. bank and a foreign bank and backed by ECGD to finance a number of contracts with a variety of U.K. suppliers who can then be paid in cash on shipment. This method can be used to finance quite small orders worth as little as £5,000.

Additional facilities provided by ECGD include insurance cover against the political risks of new investment overseas for up to 15 years; protection against part of the U.K. costs for major capital goods contracts worth £2m. or more through its cost escalation scheme; support for the issue of tender, performance and advance payment bonds for cash or near cash contracts of at least £1m. and protection for U.K. members of a consortium involved in a "jumbo" project against losses resulting from the insolvency of one of the other members.

ECGD also helps with preshipment finance where it is otherwise unavailable by providing unconditional guarantees to banks to provide the finance on a selective basis for capital goods contracts of £1m. or more. However, this finance is not available at concessionary ECGD rates but at 1 per cent. over base rate.

In addition to these sources of recourse financing by ECGD and the banks, a wide range of finance is available through the export houses which in the past financed all British trade—the export merchants, export managers, export agents, confirming houses and export finance houses. The export houses give credit directly to the overseas buyer, often using their own ECGD policy, without recourse to the exporter. The advantage to the exporter is that it is for him effectively a cash contract with no responsibility for the credit transaction. The export house may also offer a full export package including shipping and insurance.

The needs of small to medium-sized companies involved in repetitive trade are best met by the confirming houses which act for the buyer by confirming, as principal, orders already placed. In this way the exporter is paid on shipment by the confirming house which undertakes and carries the risk for any credit required by the buyer—usually up to 180 days.

Medium to long-term finance is provided by the export finance houses which have been set up by the banks and other financial institutions, acting in this case for the exporter. Again they offer credit direct to the buyer without recourse to the exporter so that the exporter is paid as if it were a cash sale.

The export finance houses also have the advantage of flexibility since they are experienced in handling all aspects of project finance—putting together fixed rate export credits and "front end" financing to cover down payments, locals costs and others not eligible for preferential finance as well as ancilliaries such as factoring, leasing etc.

Package

The main source of front end financing nowadays is the Euro-market. This is very much the province of the merchant banks which sometimes are awarded management contracts from overseas buyers to handle the whole financial package for a particular project. This is likely to increase now that buyer credits have been switched to foreign currency financing which is raised through syndicated loans.

Buyer credits in foreign currency also open up the export credit field to foreign banks, particularly the American, which have direct access to dollars. As a result the clearers are likely to play a less prominent role than in the past in financing buyer credits since they will only be able to carry a limited amount of dollars on their own books and are known to dislike the scheme. Much of the finance will therefore come from U.S. banks (which have in fact provided funds in the past) and syndication.

U.S. banks are also known to be interested in getting in on the management side, much to the chagrin of the merchant banks whose domain it has been.

Another source of finance for all categories of exports are the international credit clubs which are reciprocal agreements between leading finance houses in Europe to provide instalment credit quickly and cheaply. Similar facilities exist for hire purchase.

To finance production there are a number of government and commercial sources available. These include development grants, loans for small companies in rural areas and European Investment Bank loans. Similarly there are a variety of sources in the commercial market such as new issues, mortgages and debentures and loans from finance houses as well as the special institutions such as the Finance Corporation for Industry and its subsidiary the Industrial and Commercial Finance Corporation.

In spite of all its troubles British Leyland is still the U.K.'s biggest exporter. The Land Rover is one of its best selling products.

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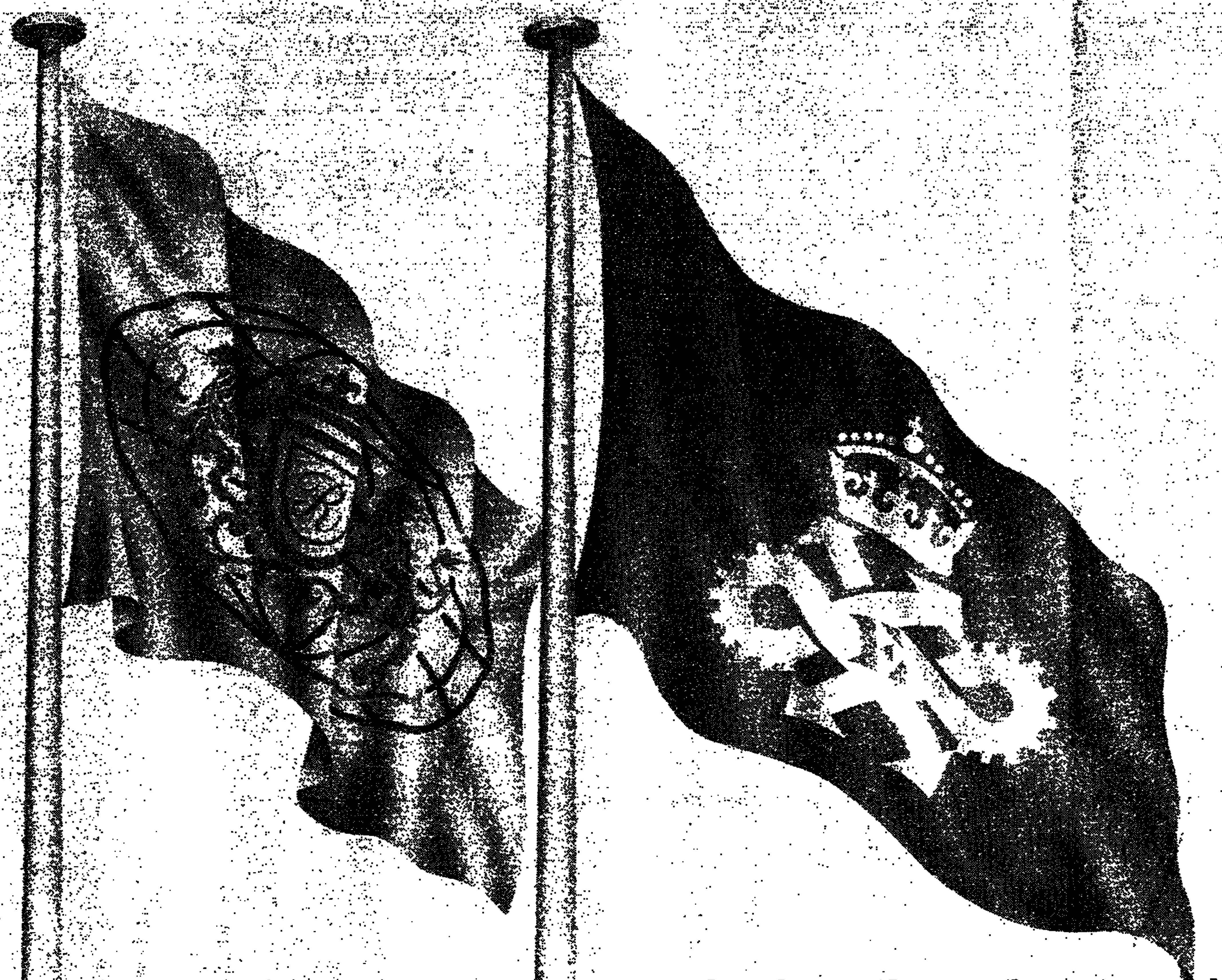

It is something of a myth that British companies prefer to invest abroad rather than at home. Such investment in any case, argues GEOFFREY OWEN, is essential to the U.K. export effort. Below, he considers the important contribution made to this performance by the numerous foreign companies that have set up in this country.

The British abroad...

ONE OF the most persistent accusations made against industry by Labour Party politicians and trade union leaders is that it has neglected investment in the U.K. in favour of acquiring or building factories overseas. This outflow of capital, it has been said, has contributed to the "de-industrialisation" of Britain and contrasts with the willingness of, say, German manufacturers to go on expanding in, and exporting from, their own country.

The argument is almost wholly false. Quite apart from the important balance of payments contribution which comes from the income on overseas investments, it is simply not true there is a uniquely British disposition to invest overseas rather than at home. In recent years, particularly as a result of currency realignments, the major German exporters have been spending considerable sums on investment outside Germany, probably more than their British counterparts; the Volkswagen plant in the U.S. is one illustration. If anything, relatively low labour costs in the U.K. have discouraged British companies from adding to their overseas investments; they have been more inclined to use their U.K. manufacturing base to supply world markets.

Related

In any case a great deal of the investment which does take place is directly related to exports from the U.K. The most obvious example is the investment which has been made in overseas selling and distribution companies. Within the EEC, for example, a good many companies have replaced their old network of independent agencies with their own subsidiaries, in order to provide more effective control over marketing and fuller participation in the profits that go with it. Earlier this year BSR, one of the outstanding British exporters, spent nearly £4m. to buy out a major Canadian distributor.

Second, there has long been a tendency in the developing countries to encourage or compel supplying companies to set up their own manufacturing facilities, in order to save on imports and assist in the industrialisation process. The supplying company must either make the necessary investment or withdraw from the market.

A typical case is that of Leyland in Nigeria. It is one of the most important markets for the company, especially for trucks and Land Rovers, and when the Government decided on a scheme for establishing a small number of truck manufacturing plants which would have a virtual monopoly of the market, Leyland had no choice but to participate. For a number of years the new Nigerian company will continue to be supplied with components from the U.K., but eventually it may become virtually self-sufficient and even export to neighbouring markets; the same process has taken place with Leyland's Indian truck subsidiary.

Investments of this kind involve financial risk and a heavy commitment of resources—companies have to be selective in deciding which countries justify the effort—but without them the markets open to British exporters would contract. The conditions imposed by the host country are sometimes onerous. They may insist, for example, that part of the new plant's output be exported and these exports will inevitably displace goods that could have been shipped from the U.K.

These conditions are characteristic of the major manufacturing deals with the Soviet bloc (such as the Massey Ferguson tractor and engine project in Poland), but the "spin-off" advantages which accrue to the company and to the country can be considerable; for example, the Polish deal involves the supply of British-made machine tools and other equipment on a large scale.

In the advanced industrial countries the arguments for and against overseas investment are more complex, varying according to the nature of the product and the market. But in a good many sectors a company cannot expect to establish itself as a fully fledged supplier unless it has a manufacturing presence in the country. In diesel engines, for instance, Hawker Siddeley and GEC have the technological strength and the scale of production within Britain to support an export drive in the U.S., but both companies decided that the acquisition of an American diesel manufacturer was essential to the success of their marketing strategy.

"Having a presence" in a country is a vague concept, and there are often other motives besides the desire to increase direct exports from the U.K. Some products are not exportable, yet the benefits to the company of participating, for instance, in the U.S.—access to a huge market, exposure to U.S. managerial skills and research and development resources—are bound to rub off on to the rest of the organisation and make it more efficient.

These were among the considerations which led BOC International, one of the world giants in industrial gases, to seek the acquisition of Airco in the U.S., a deal which was challenged by the antitrust authorities but now, after a recent Appeal Court decision, seems likely to go through. The U.S. market is attractive in its own right—rather more attractive in the eyes of many companies than parts of Europe; political stability, a generally orderly approach to labour relations and a degree of success in controlling inflation are among the attractions often cited.

Because the U.K. economy has been growing slowly and because British companies want to grow faster, it is inevitable that an increasing part of their sales and profits will come from overseas, especially if they have products or know-how which can be marketed internationally. An example is Beecham, which now derives two-thirds of its business from overseas sales, including exports. Part of this expansion will be take the form of direct exports, part of overseas investment. Some of the overseas subsidiaries, for political and commercial reasons, will acquire a momentum of their own and may eventually form part of a world-wide network of plants; even the U.K. may be supplied with certain product lines from an overseas subsidiary.

There is nothing sinister in this process. What has been happening over the past decade or so has been the emergence of a growing number of U.K.-based international concerns. They remain committed to the U.K. as the management hub of their operations and as the site of probably their most important manufacturing plants.

Obviously the degree of commitment will depend not only on the product but also on the views and attitudes of the management concerned. A few may be so pessimistic about the outlook for the U.K. that they want to move some of their assets out. But the evidence suggests that these companies, if they exist, are in a very small minority. Indeed, it is arguable that during the last few years companies have become more cautious about overseas investment.

Springboard

In the years immediately before and after the U.K.'s entry into the Common Market there was a widespread view that companies should obtain a "springboard" into Europe by taking over a local company. A good many mistakes were made in this period. Many businessmen discovered that the problems of managing a business in, say, France, Germany or Italy were a good deal more awkward than they had supposed; some began to wonder whether, after all, it might not be better to supply the market from the U.K. At least one major company has turned down numerous opportunities of buying Continental companies, often at apparently attractive prices, because it was convinced that its U.K. plants were efficient enough to supply the market; it wished to avoid the management difficulties involved in the acquisition of what in many cases were run-down concerns.

If companies are becoming more discriminating in their overseas investment decisions this is all to the good. But it would be unrealistic to hope for a general retreat to the U.K. Certainly the continued expansion of the British manufacturing plants is vital; some manufacturers may not need to supplement them with factories outside the U.K. But most companies which wish to make a major impact on the world market are likely to find that as their exports build up, a substantial investment in overseas manufacturing is a necessary part of their strategy.

U.K. NET PRIVATE DIRECT INVESTMENT OVERSEAS

(excluding oil—figures in £m.)

	1965	1966	1967	1968	1969	1970	1971	1972	1973	19[illegible]
EEC	32	51	30	73	105	78	263	223	519	[illegible]
Commonwealth	148	113	128	166	265	216	176	213	465	[illegible]
U.S.	23	42	52	84	54	134	129	105	377	[illegible]
Other countries	105	70	71	87	125	118	107	196	260	[illegible]
TOTAL	308	276	281	410	549	546	676	737	1,621	[illegible]

Source: Department of Trade.

Note: These figures, which are not adjusted for inflation, illustrate the growing attraction during the 1971-73 period of investing in the EEC. (The EEC figures comprise the six original members of the Community up to 1972; thereafter the eight are included.) More recently investment in the U.S. appears to have been given a higher priority by many companies.

...and foreigners in the U.K.

THE RECENT fuss over whether Hitachi, the Japanese company, should be allowed to manufacture TV sets in the North East of England illustrates a familiar dilemma in British attitudes towards inward investment. On the one hand the Government encourages foreign companies to bring their capital and their management skills into the U.K., to set up new plants and create new jobs, especially in the areas where unemployment has traditionally been high. On the other hand the U.K.-owned companies in the sector concerned often resent the arrival of the new competitor and protest that the Government should be more concerned with helping to strengthen the genuinely British part of the industry.

Fortunately for the vitality of British industry, the principle of encouraging foreign companies to come into the U.K. has almost always prevailed; it has been one of the few consistent elements in Government industrial policy since the war. As a result, foreign-owned companies have made a very important contribution to the country's export performance. It has been estimated that about 25 per cent. of the country's total exports derive from the operations of foreign-controlled companies. Of the 100 companies which figured in last year's Financial Times list of top exporters, 30 were foreign-controlled.

There are several reasons why foreign-owned companies make a contribution to exports which is out of proportion to their role in the economy as a whole. First, they are frequently among the world leaders in their field. In such industries as electronics, chemicals, electrical and mechanical engineering the companies which have set up in the U.K. have tended to be those with a world lead in a particular group of products or processes. The majority are American companies which have seen the need for a manufacturing base in Europe in order to exploit their lead over a wider geographical area. Because of ties of language and culture they have usually made their first investments in the U.K.; even though these may have been complemented later by investments on the Continent (especially during the period when the U.K. was outside the European Economic Community), the U.K. remains, for most of them, the main European base.

Second, the foreign-owned companies have international marketing and distribution networks into which the British-made product can easily be fitted. Companies like Ford and IBM use their U.K. as the sole manufacturing source for certain items in their product range. Both Ford and General Motors, for example, have made the U.K. their most important production base outside North America for commercial vehicles.

The role of foreign companies in British exports: (1974)

Percentage of total exports accounted for by:

U.S.-controlled enterprises	19
Other foreign-controlled enterprises	6
Associates of foreign enterprises	4
U.K. enterprises	71
	100

Access

Where the foreign investor has entered the U.K. market, not by building his own plant, but by takeover, the acquired company has gained access to export opportunities which would not otherwise have been available. Take, for instance, the purchase of David Brown Tractors by the U.S. conglomerate, Tenneco. Some people may have regretted the deal on sentimental and nationalistic grounds, but Tenneco's J. I. Case subsidiary has a large and growing position in the world construction and agricultural equipment market and the opportunities available to David Brown Tractors have been enhanced.

Acquisitions by foreign companies have not always worked out as well as had been hoped; the Chrysler purchase of Rootes is one example. One of the arguments for Chrysler's takeover of Rootes was that it would enable the British company's cars to be sold in the U.S. through Chrysler's marketing network. For quality and other reasons the attempt to sell British-made cars in the U.S. did not succeed and the whole Chrysler U.K. operation ran into a severe financial crisis last year. But Chrysler continues to be one of the U.K.'s largest exporters; it is doubtful whether, if Rootes had stayed independent, a similar performance could have been achieved.

Certainly there have been disappointments. Litton Industries' experience with Imperial

CONTINUED ON NEXT PAGE

DISTRIBUTION OF EXPORTS BY OWNERSHIP AND INDUSTRY IN 1974

(values in £m.)

	U.S.-controlled enterprises	Other foreign-controlled enterprises	Associates of foreign enterprises	U.K. enterprises
Food, drink, tobacco	91.9	34.4	6.2	727.1
Chemicals	304.3	136.5	61.1	1,132.[illegible]
Metal manufacture and engineering	1,152.7	554.4	312.5	2,573.1
Shipbuilding and vehicles (other than motors)	9.7			843.[illegible]
Motor vehicles	536.3	6.2	7.0	557.9
Other manufacturing activities	247.9	93.8	204.6	1,686.[illegible]
Other activities	37.3	80.4	0.5	948.[illegible]
All industries	1,470.1	965.8	491.9	8,263.[illegible]

Source: Trade and Industry, July 16, 1976.

The falling exchange rate has done much to make Britain's exports more competitive. In most cases, as MARGARET REID points out, companies have chosen to charge higher sterling prices, thus giving the quickest possible boost to the balance of payments. But the high inflation rate remains a constant threat.

Making a profit

BRITAIN'S EXPORTERS have n the past 18 months received an unprecedented boost to their rading position in overseas narkets through *the near-20 per* :ent. fall in sterling's world alue in 1976. The signs are hat the predominant effect of his has been an improvement n the profitability, and so the attractiveness, of exporting.

A key question, however, is whether this trend, which neans that the depreciation in he pound has been used to a ubstantial extent to obtain a uick lift for companies'—and Britain's—overseas earnings, has *eft the country's world competi*ive position as strong as it needs to be in 1977 and beyond.

The fact that Britain's ex-ports last year rose 8½ per cent. n volume and no less than 30.5 er cent. in value shows how elatively promptly sellers took dvantage of the scope afforded y the rapid cheapening of the ound throughout 1976. This uick response, producing a espectably larger quantity of hysical exports—and a much nore strongly increased sales roceeds as a result of higher rices—shows a growingly ophisticated reaction by companies to the potentialities created by a slide in the value of a country's currency.

Gone are the days when a rice . . . was a price . . . was price, fixed in sterling and pplying to all goods whether ld at home or overseas. Now, ore aggressive British export icing has enabled a more pid harvest to be garnered om a fall in the pound. This turn has meant the virtual imination of the old "J rve" phenomenon, under ich devaluation formerly orsened the trade balance til enough goods had been ured into the export market make up for the fact that ch was tending to earn less re than previously.

The pound's sharp decline last ar gave British companies sell- overseas some difficult, ough attractive, options about w to take the resulting bene-. Essentially the choices nged between raising their rling prices to keep them up the equivalent of those pre-iling in terms of foreign cur-ncy in overseas markets, so ing an impetus to revenue d profits, and, at the opposite treme, leaving prices in unds unchanged, and thus eaper in foreign currency, so reasing the chances of win-ig orders through greater ce competitiveness.

All the indications are that in-stry's response has been a : of these two reactions in nite variations. But on the ole there is little doubt that balance has been struck in our of reaping the bulk of the advantages of the cheaper pound by charging prices worth more in sterling terms. This has probably been thoroughly wel*come to the Government since it* has meant that the benefits of the pound's depreciation have been coming through fairly rapidly to the hard-pressed balance of payments.

At the same time, at least until recently, the foreign currency value of British exports has in many cases been held back enough from the maximum the market would have borne to give goods some greater competitive edge against those of international rivals. But, as indicated below, there are some signs that this advantage may now be being eroded, as rapid home inflation forces costs, and so basic wholesale prices, up again, while this year's stable sterling rate has provided no repetition of last year's bonus.

Measure

The basic measure of the profitability of exports is the ratio of export prices to wholesale prices generally. This is not a perfect indicator, since one cannot be sure that exactly the same spreads of goods is being compared. Nonetheless, it is a powerful pointer to trends.

The statistics clearly confirm the greater profitability of exports last year. For while in the last quarter of 1975, before sterling's big tumble, export prices were some 1 per cent below the average for all British manufacturers' wholesale prices (excluding food, drink and tobacco), a year later they were 5 per cent higher.

Further evidence of the real upturn in Britain's export prices is that while in the 12 months to December 1976 the pound fell by 17 per cent, U.K. export prices showed a more than corresponding increase of 25 per cent. These are clear signs that companies have not been just passively translating wholesale prices at the going rate of exchange in setting export charges, but adopting a more positive export pricing policy to get better returns out of export markets. Probably the only field where it has not been easy to get benefits from sterling's fall is that of big long-term contracts, where many companies have found that they must write so much allowance for future cost inflation over a number of years into quoted prices that they have difficulty in tendering competitively against international rivals.

The Bank of England, in its Quarterly Bulletin for December 1976, confirmed, in the following passage, both the improved competitiveness of exporters and the more marked upswing in export prices—alluding in particular to one special factor in it. "The cost-competitiveness of U.K. industry has probably been much improved by sterling's depreciation. . . . However, export prices in sterling terms have also increased faster than domestic prices, perhaps because of a growing tendency to invoice in foreign currencies. So the relative profitability of exports has improved during the year—at the expense of gains in the price-competitiveness of U.K. exports as conventionally measured."

One of the significant recent changes has been the switch towards more invoicing in foreign currency—a practice which obviously tends to secure a greater immediate yield in terms of sterling at times, like 1976, when the pound is becoming progressively worth less in terms of foreign currency.

The growing—though still limited—desire of companies to secure their returns in foreign money after a period of exchange instability and of a cheaper pound is shown by the increasing proportion of exports now invoiced in foreign currency. The percentage has been put, in a Department of Trade survey based on shipments in October-November 1976 at 27 per cent., compared with only 20 per cent. earlier in 1976 and a lower figure previously. With *some groups the percentage is* much higher: Imperial Chemical Industries, for instance, now invoices some 70 to 80 per cent. of its exports in foreign currency.

The advantages claimed for foreign currency pricing have been strongly stressed in official quarters lately, the British Overseas Trade Board having underlined a number of favourable aspects in letters to com*pany chiefs*. The Board has pointed out that foreign exchange markets can be used for the forward sale—that is, the fixing now of terms for a future selling—of expected foreign currency receipts from contracts in exchange for sterling. Thus the uncertainty about prospective receipts is eliminated, while a premium quantity of pounds can be assured, because of the discount on sterling against many currencies: this allows either *higher profits to* be reaped or lower prices quoted.

Other advantages claimed by the BOTB for foreign currency invoicing are that this may be a more familiar form of pricing for the foreign buyer, and that cheaper finance may be obtained for an export contract *expressed in foreign currency.*

The fact that the Export Credits Guarantees Department now ties certain of its guarantees to foreign currency financing and expects this form of financing for larger contracts, is yet another influence tending to create a shift towards foreign currency invoicing.

Some companies, however, are unhappy about the idea of a switch to foreign currency invoicing, partly because of the departure from long-established practice, and partly because of the risks involved through uncertainty over future exchange movements. One or two more confident and optimistic industrialists point to the unhappy position they would be in if, having switched to foreign currency invoicing, they were to find the pound becoming stronger as North Sea oil flows and the balance of payments improves, so reducing the sterling value of their receipts.

The fact that companies have moved much more swiftly of late to hoist their export prices in terms of sterling (whatever the currency of invoicing) cannot reasonably be regarded as culpable, although it often gives profits a boost. Apart from the vital consideration from the national viewpoint that this has helped to lift the total proceeds of export sales, the better returns are an inducement to companies, through the favourable impact on profits, to give much needed greater priority to overseas sales. Higher profits, where they result, also encourage capital investment and fortify the general strength and employing-power of industrial concerns.

The other side of the coin reflecting the effect of sterling's sharp 1976 fall on the profitability of exports is its impact on the competitiveness of British exports. Here, since not all the benefits of the cheaper pound have been taken in better profits as a result of higher prices, the remaining advantages were felt last year in the often much improved competitive position of British companies against their international rivals. Now, however, as this latter advantage is starting to be eaten away by continuing inflation of production costs and so of prices, uncompensated by any further fall in sterling, worries are arising about the competitive outlook.

Statistics of various costs confirm Britain's improved competitive position last year, as does that important measure of competitiveness, the ratio of British to foreign rivals' prices in dollar terms in world markets. Here, notwithstanding the lift already discussed to her export price levels, Britain still looked very competitive last year. Cmpetitors' prices in dollar terms were standing above Britain's in 1976, just as they had been after the fall in sterling following floating in June 1972.

Striking

It is a striking fact that between the fourth quarters of 1975 and 1976, Britain's average export prices in dollar terms scarcely changed, the index (1970=100) rising only from 173.3 to 174.8. (In this period sterling was dropping sharply enough virtually to offset the strong boost home inflation of costs was imparting to selling prices).

Over the first nine months of the same period, however, the index of rivals' dollar prices rose from 177.2 to 185.7, strongly confirming the relative competitiveness Britain was gaining, on top of the profitability advantages.

Unfortunately, it is not so easy to maintain the benefits of competitiveness when inflation at home is boosting production costs, with no offset coming from a depreciating exchange rate. With the virtually steady level of sterling from the start of 1977, Britain's dollar prices started to rise, reflecting higher home costs: in the first quarter the index reflecting them leapt ahead from 174.3 to 190.4. *If domestic cost rises do not abate,* or foreign export prices accelerate, the benefits of last year's improved competitiveness could soon fade.

Already, the Confederation of British Industry, in its last major survey, has noted that an increased proportion of 56 per cent of companies questioned reported price resistance as an impediment to their winning export business.

The renewed support given by the Bank of England to the pound on recent occasions, after a period of marked strength for sterling, is a warning that, on average, Britain's strong competitive position in world markets last year has already suffered some erosion and could be knocked further if home inflation continues high.

Foreigners

CONTINUED FROM PREVIOUS PAGE

pewriter, leading to the sure of two substantial fac-ies, was one example. But evidence of a few failures is enough to justify a more trictive approach to foreign estment. There are existing visions, through exchange trol procedures and mergers islation, for barring foreign covers if they are likely to e an adverse effect on the C. To tighten up the re-atory system would be un-essary and tend to deter ential new investors.

Equally, there is no justific-on, even if it were possible lo so, for attempting to limit foreign-owned company's ity to import from its affil-ed companies overseas. For ce of the American-owned tinationals, the attraction of U.K. as a manufacturing would be greatly reduced t was not integrated with rest of the worldwide nization. For example, 's various European plants planned and managed as of a coherent whole, based economies of scale in com-ent production and in final mbly.

follows that IBM, one of country's largest exporters, lso a substantial importer. same is true with Ford and Vauxhall in the passenger car stry. In recent months tive" imports from the rican companies' Continen-plans have been accounting as much as 25 per cent. tal imports. These provide eful bargaining counter to ort the argument of the hose that they are not re-sible for the U.K.'s high of import penetration: have also been another stick with which to beat the multinationals. But it is a perfectly logical strategy for the multinationals to follow. It is unreasonable to suppose that Ford or General Motors could be compelled to make the U.K. the sole source for all their cars produced for the European market.

It is true that because of the large size of imports the foreign-owned companies direct exports figures may in some cases give a misleading picture of their net contribution to the balance of payments. It would be a helpful contribution to public understanding of how multinationals work if they were to disclose each year their net contribution, taking into account not only their imports (both of intermediate components and of finished products), but also their royalty and dividend payments to the parent company.

It is sometimes argued that foreign companies which have invested here are less committed to the U.K. than British-owned firms and are more free to switch their operations elsewhere if prospects in Britain no longer look attractive. Even if this were true—and many foreign companies are effectively locked into the U.K. through the size of their operations here—it is not an argument for discouraging them from coming. It is in the U.K.'s own interests to make the country as attractive as possible to foreign companies, not least because of their contribution to the country's export drive. What is good for General Motors may not always be good for the U.K., but without the presence of General Motors, Ford and the others the U.K. would be very much worse off.

The large package deal contract poses problems for companies bidding for such work, especially if, as is now more common, fixed price tenders are demanded. LORNE BARLING considers why Britain has not done well in this field, while below, NICHOLAS LESLIE writes about the management of a company's export effort.

The jumbo contract

THE HUGE world market for large industrial plants such as refineries, chemical plants and power stations, known as jumbo projects, is one which offers great rewards to contractors, but at the same time presents great risks because of their great cost.

In recent years the powerful contracting companies in the U.S. and Japan have dominated this market, which in the process plant sector alone is expected to be worth the huge amount of $1,440bn. in the next decade. This is due largely to the need for developing countries all over the world to build up their industrial base with plants such as these.

In the Middle East, where oil producers intend to turn their wealth into even more valuable products such as chemicals and plastics, demand has been phenomenal. At the same time the U.S. and Japan, in particular, have needed to offset their oil import costs with a high level of exports, so competition in the area has been intense.

Although British and European contractors have had considerable success in some Middle East countries, the lion's share of the work has gone to the U.S. and Japanese companies with the capacity to undertake projects which are sometimes worth as much as $1bn.

Specialist

Even so, these companies often sub-contract a large part of the work out to specialist companies, and in some cases they merely manage the construction, playing only a small role in supplying the component parts. Similarly the risks and rewards are also shared in many cases by the formation of consortia involving a number of companies, often from different countries.

And although competition for the large contracts is usually intense, most companies are content to win only a small proportion of those contracts tendered for, because there is a great deal of work available and the world market remains very large. However, the need for industrial countries, particularly Japan, to maintain employment levels in their factories has led to fierce competition on pricing.

If it is necessary for a company to reduce its potential margin on a contract by reducing its tender price or making other concessions in an effort to win it, the already considerable risks involved in multi-million pound deals are made even greater. For this reason a number of companies, including some in the U.K., have withdrawn their tenders from some projects.

Although companies are able to insure themselves against various risks such as non-payment by the buyer through the Export Credits Guarantee Department (whose role is discussed fully in another article in this survey), they cannot foresee all eventualities. Therefore, the danger exists of a serious failure in a contract which, as has happened in the past, could put the contractor out of business.

For this reason bidders often build into their tenders various contingency sums, and in the case of consortia the risk is spread among the members. But in many cases this has caused comparatively high bids from U.K. companies.

But perhaps the most serious development in recent years has been the demand, mainly from Middle East countries, for fixed-price contracts, which has clearly contributed to the complaints from the countries concerned that bids by all industrial countries are too high. As a result some of the work is now going to developing countries such as South Korea, India, Pakistan, Taiwan and others.

These countries have the advantage of lower labour costs and reasonably advanced engineering industries, but much of the consultancy work and the higher technology equipment will continue to come from the traditional sources. However, there is also the likelihood that consortia involving combinations of developed and developing countries will increase as a result.

As far as the U.K. is concerned, there has been considerable discussion recently on how the country's share of these contracts can be increased and the best use made of the advanced technology available. This is increasingly important due to lack of domestic demand, particularly in the field of power generation.

It is argued in some quarters that bids made by British companies should be more closely co-ordinated, to increase the financial strength of consortia and avoid the danger of U.K. companies competing against each other. However, some major companies are opposed to this suggestion on the grounds that it would be cumbersome.

Valuable

They also suggest that it is not necessarily beneficial for a British company to play the leading role in a contract, bearing a high proportion of the risk, as long as they are winning a high proportion of the sometimes valuable sub-contracting work.

Nevertheless, a number of Community countries successfully operate central organisations to co-ordinate bids, usually with considerable financial backing. In the case of Japan the major companies are large enough and have the financial resources through their banking arms to make this type of operation unnecessary.

Moreover, since the Overseas Projects Group (the Department of Trade's co-ordinating body for major contracts) reported the comparative failure of the UK to win its share of major project business, at least 15 bodies have considered the problem. These include the Confederation of British Industry, the London Chamber of Commerce (which made its recommendations recently), the Bank of England, the Central Policy Review Staff, the National Enterprise Board, various trade associations and banking and insurance groups.

The Credit Insurance Association, one of the groups considering the matter, has analysed the financial risks attached to major project business and concluded that, while none of the risks involved were new, they now presented problems by virtue of their sheer size, magnified by the multi-disciplinary basis of the projects and the joint and several liability this involves.

It suggested that the main factors which contribute to the unwillingness to accept these risks are (1) the general undercapitalisation of British Industry, (2) the effects of inflation, (3) a general lack of confidence within industry and (4) the lack of a focal point to take a leading role.

The only recent attempt to provide a solution has been the involvement of the National Enterprise Board in project consortia, but the Credit Insurance Association suggests that this has not been successful for a number of reasons, the first being the lack of contracting experience at the NEB.

While it is clear that more resources need somehow to be brought together to assist in this export effort, the role of Government is for a number of reasons restricted. First, it would be unable to assume a greater proportion of risk than is allowed by international agreement, and secondly, there is considerable opposition from some quarters of the industry through the fear of Government interference in their affairs.

Therefore it is suggested that the private insurance market and the banks ought to play a greater role, although the risks involved for individual institutions are regarded as inordinately high due to the large sums involved. It is proposed that the surety companies and insurance companies and banks joint together to form three pools. In this way the risks would be able to be spread over the whole market, and it would be easier to allow Government support for a pool rather than for individual companies.

However, the complexity of the problem and the diversity of views on it make any early solution unlikely, unless the small group involved in discussions with the Bank of England can cut through the tangle and provide radical yet workable proposals.

Export management

AN ESSENTIAL ingredient of any exporting activity is an efficient export department within a company. Without it no salesman can expect to achieve lasting success in selling abroad and production schedules in the factory will be thrown into confusion.

Just what type of export department a company needs will vary considerably. Some companies have extremely large export departments which play a key role in establishing what the company will make and at what rates of production, while others are able to make do with virtually a one-man office. Nevertheless, there are many procedures common to each when it comes to the management of the export division.

In a small company the administrative exporting responsibility may well rest with the export salesman. Therefore, he is the person who will not only have to be out in the field but will also have to maintain close contact with his company's factory to ensure that he will be able to meet delivery times. Some adaptation to the product concerned is frequently required and it will be the export salesman's sometimes onerous task to make clear to his company what the requirements are if a successful sale overseas is to be achieved.

It is equally imperative that the export salesman should demand high quality for the product he is selling and to reject anything which he considers to be under par. For unless the highest standards are established at the outset erratic product finish may soon develop to the obvious detriment of the exporting effort.

An efficient invoicing system will be another requirement, but with the smaller company it is quite likely that this function, together with finance, insurance and transport will be handled by the existing departments of the company concerned, with the export manager merely drawing on the help of each.

With big companies there is no set pattern to the type of export management undertaken. Where capital goods are concerned and there is a standard and relatively limited range, all exporting functions may be concentrated in one sizeable department. Its job will be not only to ensure that deliveries are met and that systems such as invoicing are operating smoothly (it is quite likely that all invoicing will be on a computerised basis) so that they are sent out at the earliest date in an effort to speed up payments and thus release working capital. Transport also has to be available by road, sea and air.

Typical

A typical large company which falls into the category of selling medium to high unit cost products may well have its export department as the central organisation in the entire selling effort simply because it has a very high export ratio and treats the U.K. merely as just one more market. In large countries it will have subsidiaries and in small ones agents, all of which send in their orders to the export department.

One of its prime functions is to forecast demand, and to ensure that when orders are put in, good notice is given for the delivery dates required. To do this, the department has to analyse the trend of sales in the past and project a pattern for the future. It will then have to negotiate with the company's factories the rates of production required for different products. Another responsibility is to maintain good stocks of all products to ensure that demand can be met. For example, the company may sometimes find that a foreign customer will have an allocation of foreign currency for specific products which he has to spend by a certain date and this can create a sudden surge of demand for the exporter if he succeeds in getting the contract.

For all exporters availability of sea and air transport is crucial and if it is doing its job properly the export department will maintain the right contacts in the right places. With large companies a shipping division will probably be maintained as part of the department. It will deal with the various shipping companies, and also with shipping agents (small companies will probably use agents a great deal) when exporting to countries where special conditions apply and particular expertise and knowledge is required. It is considered good sense to maintain close contact with as many shipping ports around the U.K. as can be justified by the amount of business involved to provide flexibility should any problems arise at one particular port.

The export department will prepare all bills of lading, together with invoices detailing size and weight of a product.

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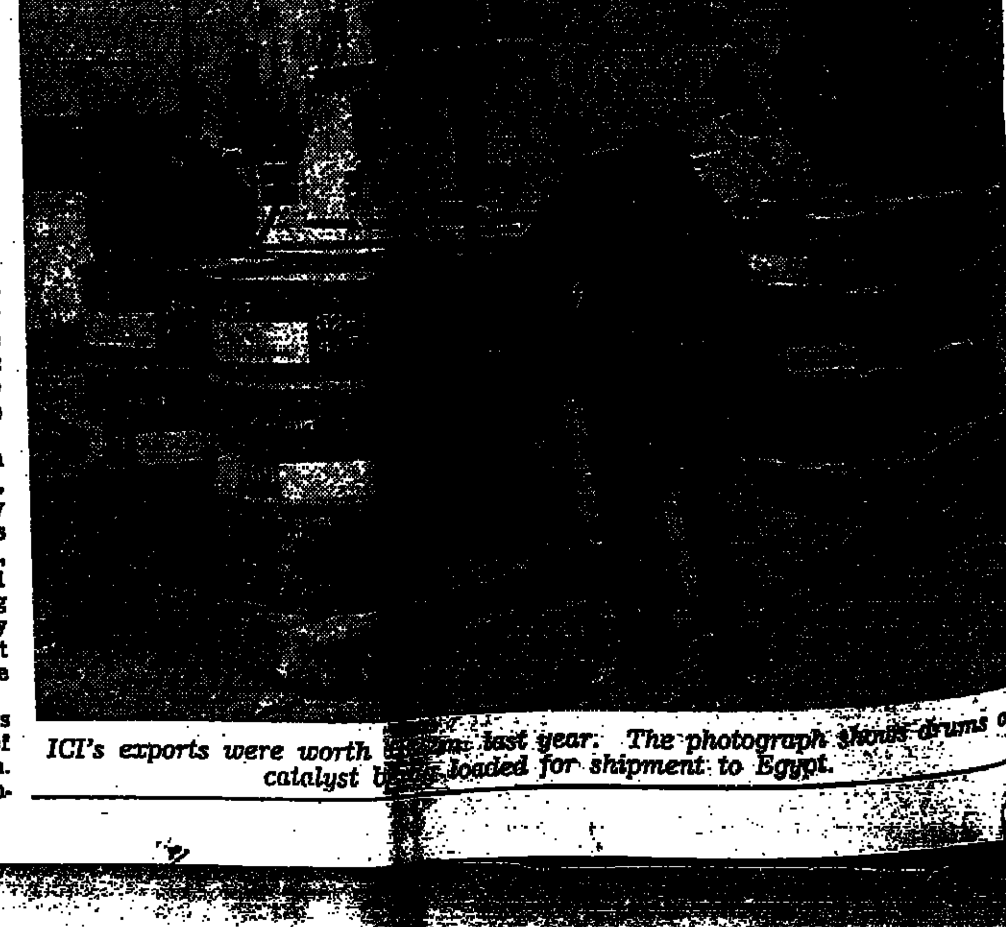


ICI's exports were worth [illegible] last year. The photograph shows drums of catalyst [illegible] loaded for shipment to Egypt.

The growing contribution of the consultant tends to be overlooked in the statistics of invisible earnings. But, as MICHAEL CASSELL says, Britain has an unrivalled range of services and depth of experience, and these are now beginning to be better co-ordinated.

The consultant

LTHOUGH THEIR efforts ppear to have gone largely unnoticed in high places, there has een a phenomenal rise in the lue of work being handled by ose U.K. professions associated with the world of construction.

Each month the figures on ritain's overseas earnings illuminate the contributions made the traditionally accepted and cognised "invisible" areas ich as shipping, banking and surance. But the expanding le of the army of consultants ho work alongside British and reign contractors around the obe is still generally disregarded.

Official recognition or not, wever, the growth in U.K. consultants' foreign earnings has en remarkable and looks set expand at an even faster rate the immediate future. At the ginning of this year, consultants were calculated to have en involved in foreign contracts valued at a staggering 5bn., against £15bn. in the preous 12 months. The fees nerated by consultancy services from overseas clients is pected this year to reach at ast £300m.

The rapid growth rate, however, has not come about simply cause of the sharp deterioration in work levels experienced the domestic marketplace or cause of the Middle East ilding boom.

The consultants themselves im that their current successes are the result of many rs of hard work, during ich their reputation for stworthiness, reliability, impartiality and generally high ndards of professional integrity have been painstakingly ablished.

There is no doubt that the tish "army" is a large and pressive one. Architects, surveyors, town planners, management and economic consultants and mining and ecological consultants are complemented by teams offering additional specialist skills and know-how in areas such as airport, health and naval installations through to exhibition complexes and golf courses.

Britain, in short, has developed a breadth and depth in its range of consultancy services which puts them among the best in the world and which many other nations are keen to emulate. There is no room, however, for complacency, with consultants the world over showing aggressive salesmanship—many labouring under far less restrictive professional guidelines than the British.

In some global regions the U.K. consultant may easily find himself up against competition which is Government-subsidised, invariably leaving him in a comparatively exposed position. He should now at least derive some personal comfort from the newly proposed legislation which will enable individuals assisting in the overseas sales effort to obtain tax relief on earnings accrued while abroad more easily, though what type of impact this will have on the national effort is hard to assess.

Expansion

The rapid expansion in business for the consultant abroad is not hard to explain. In advising the foreign client, particularly in a developing nation, he can invariably offer a range of resources and level of specialist experience with which few local consultancies can compete. On the other hand, few contractors entering one of the developing nations for the first time have some or any knowledge about the working conditions they are likely to confront.

Variations abound in planning and building regulations documentation, tendering and general legal procedures and while much of this advice might be forthcoming through a local partnership, consultants offering local knowledge as well as principal skills are at a premium.

One area of continuing concern in some circles is the extent to which the consultant is prepared to accept responsibility for the projects in which he is involved. Current conditions of employment assess the extent of their risk at no more than the total of fees paid and if subsequent claims arise the degree of responsibility can be at the centre of some protracted and potentially damaging negotiations. There are some hopes that ECGD arrangements covering such items as materials and supplies will be extended to embrace consultancy services.

It was on the subject of liability that one of the U.K.'s leading consulting engineering practices recently gave a remarkable warning in respect of one particular Middle East market, namely Iran.

Last month, Brian Colquhoun and Partners had some clear-cut advice for firms contemplating work in that country. It warned that there was no law in Iran which limited the liability of a contractor or designer to any period of time after completion.

The firm said it had been forced into making a public pronouncement following problems which had arisen after the collapse two years ago of the terminal building at Mehrabad Airport in Teheran, where it had been responsible for the design of the finishes.

Senior partner Mr. Brian Colquhoun said he thought his firm could be losing business in the Middle East because of uncertainty over who had been responsible for the collapse. He was adamant that the blame did not lie with Brian Colquhoun and Partners but rather with the Iranians who had overloaded the roof of the building with extra layers of asphalt and a heavier ceiling. Existing columns had also been weakened during the subsequent construction of an adjacent building.

The move was clearly designed to provoke some reply from the Iranians, who had recently sentenced the managing director of the Swedish design firm responsible for the structure to two years' imprisonment. The Iranians should not, said Mr. Colquhoun, seek to blame outsiders for their own shortcomings. He advised any company operating in Iran to "read all the fine print" and employ a local lawyer to provide advice. Every piece of information, he added, should be kept and placed on record for an indefinite period.

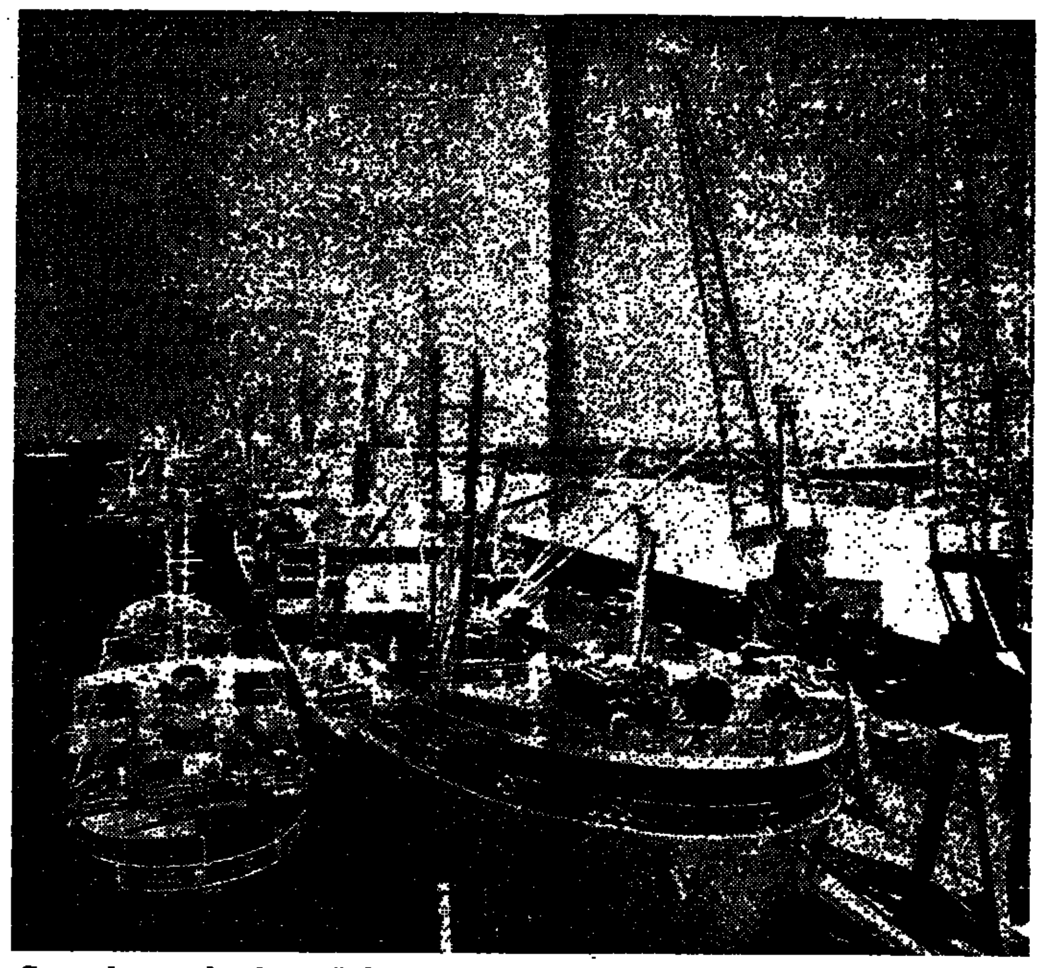
Unusual

The incident was an unusual one but it nevertheless provided a clear illustration of the sort of difficulties which both contractors and consultants working overseas—not merely in the Middle East either—may have to confront. No one is of course suggesting that anybody should be held responsible for something which did not form any part of their original remit, but there are U.K. critics who feel that consultants in particular should show themselves more readily disposed to accepting responsibility if and when reasonable claims arise.

As far as the general U.K. effort to promote its collective expertise in consultancy is concerned, there is a feeling that more centralised control is required in order to maximise the opportunities for business now available in some areas of the world, notably the Middle East, Africa, Australasia and South America.

Much of the momentum in this field is now coming from the British Consultants' Bureau, established 12 years ago as a multi-professional body designed to promote the range of U.K. consultancy services available abroad. The Bureau now has 200 of the largest consulting firms in the U.K. for its members and exists to provide and advise and support for consultants tackling overseas markets.

The Bureau believes that consultants need a stronger voice and must direct at least some of their energies into becoming less fragmented than in the past. The type of approach now being adopted by the Bureau reflects the "work together and attack outwards" theme which the Department of the Environment, through its Construction Exports Advisory Board, is now attempting to instill into the building and civil engineering industry as a whole. The least that can be said is that the consultants have established for themselves a very good foothold from which to make their next major steps.



General cargo berths at Jeddah, Saudi Arabia. The port is currently being extended under a scheme which will more than double its capacity. Consulting engineers are Sir William Halcrow and Partners.

ie Riyadh Conference Centre in Saudi Arabia: architect for the project was Trevor Dannatt and consulting engineers Ove Arup and Partners.

Ianagement

TINUED FROM PREVIOUS PAGE

its price in different mar-

The financing of export nents will either be the onsibility of a particular on of an export department s is often the case, will be responsibility of a separate ce division. If it is to be of the export department's ion, it will be necessary pertise to be developed as hat method of financing is appropriate for the goods erned in different markets. ile large companies with ed ranges of products can establish central export departments with relative ease, it is often quite difficult to manage such a department within a group of companies that have considerable autonomy and are making very different products. It may well be that a concentrated marketing effort overseas is more useful, despite the product variety, because potential customers find it easier to buy a range of products from one large source. But administratively, there can be problems in achieving a common front with different emphasis being placed on the marketing of different products. Even getting agreement on the type of literature to be used can prove a headache.

Another key function of the export department if it is in the early stages of its creation and is trying to deal with a number of group companies is, oddly enough, to try and get all of the companies to start thinking in an export-oriented manner—accepting, for example, that the demands of a foreign country are going to be different from the U.K. and that some modifications may be demanded.

The co-ordinating division for exports must also maintain close contacts with overseas agents and, where new agents are needed, to make sure that the right choice is made. So often the success or failure of a company's exporting effort stands or falls on the choice of agent.

There is also one other aspect of exporting which will undoubtedly require specialist advice, but which the export director and his key staff should be familiar with in broad detail—international trade law. With most major developed countries there is usually little legal difficulty involved in a trade deal, but with some other countries—and in the Middle East some definitions as to what is and what is not a contract can sometimes be a little confusing—it is clearly advisable to be acquainted with the fact that problems might exist even if the export manager does not have a full knowledge of how to get them solved.

Nicholas Leslie

The Long Room at Lloyd's.

Invisible earnings—from services, dividends, shipping, aviation and tourism, as well as the activities of the City of London—continue to be a major contributor to the balance of payments, offsetting to some extent the deficit on visible trade. PETER RIDDELL reports.

Invisible wealth

The surplus on Britain's invisible earnings overseas has risen rapidly during the past couple of years, making an important contribution to the gradual improvement in the current account of the balance of payments. Last year, for example, a £610m. rise in the net surplus on invisible earnings to £2.17bn. more than offset a near £400m. deterioration in the visible trade deficit to £3.59bn. But the invisibles surplus could be approaching a peak in 1977 before declining during the rest of the decade as profits are earned by foreign companies in the U.K. from the increase in North Sea oil production. The rise in this oil output will (and is) producing large benefits for the visible account.

Invisibles have been an important contributor to the balance of payments for a long time; there has been a surplus for most of the past 20 years, offsetting in part or whole the usual deficit on visible trade. The relative contribution of various sources of invisible earnings has changed over time but there are three broad categories—Government services and transfers; interest, profits and dividends from investment; and private sector earnings from services including the activities of the City as well as shipping, aviation and tourism.

The published global figures tend to give a slightly misleading impression of the overall picture. This is both because the figures are published net of debits and because a large Government deficit on invisibles is offset by a very big private sector surplus.

Last year, the Government account on services and transfers had a net deficit of £1.55bn.—some 50 per cent. higher than in 1975. This partly reflected a rise of £125m. to £475m. in contributions to the European Community budget at the same time as receipts from EEC were £142m. lower at £221m. This in turn partly reflected a change in the arrangements by which compensatory payments on imports from the Community were made under the common agricultural policy. Expenditure overseas on military services, mostly in the Federal Republic of Germany, rose by £180m. to £833m., mainly because of the fall in the value of the pound.

In addition, the public sector also had a deficit of nearly £640m. on interest, profits and dividends. This reflected a substantial rise in payments of interest on Eurocurrency borrowings as a result both of a rise in actual debts and of the impact of the fall in the pound. Total public sector foreign currency debts outstanding are now some $21bn.

The net result of these transactions is that the Government and the public sector last year had a net invisible deficit of £2.19bn., offsetting a private sector surplus of £4.36bn.—an increase of around 42 per cent. on the level in 1975, partly also as a result of the direct and competitive advantages given by the fall in sterling.

Surplus

The Committee on Invisible Exports and other bodies, especially those associated with the City, understandably draw attention to the size of this net surplus on private sector invisibles which can be overlooked in the concentration on the visible account. After all, gross private invisible earnings of £12.8bn. last year—up from £10.27bn. in 1975—are equivalent to around half the level of visible exports.

Sea transport has traditionally been one of the largest earners of invisibles for the U.K. though it tends to hover between surplus and deficit overall. In 1976. sea transport had a credit of £3.08bn. but there was also a debit of £3.14bn. While the net credit on dry cargo operations remained almost constant, despite the falling value of the pound, increased credits of some £200m. due to tankers were more than offset by a £255m. increase in debits.

A major boost last year came from travel where the net credit rose from £236m. to £629m. The tourist and travel trade has benefited considerably from the impact of the continued fall in the value of the pound, which has encouraged—and is still encouraging—overseas visitors to come to the U.K. At the same time visits abroad by U.K. residents have been limited both by the adverse effects of the fall in sterling and by the squeeze on disposable incomes and the recession. The result was that overseas visitors spent some 45 per cent. more sterling last year whereas U.K. residents' expenditure abroad rose by only 13 per cent. The extent of the turnround is shown by the fact that this account was in net deficit as recently as 1973. (This subject is discussed in more detail in an accompanying article in this survey.)

The changing pattern of travel as well as a rise in the sterling value of air tickets sold abroad (where prices are fixed internationally) boosted credits on air transport by 35 per cent. last year to £1.05bn. while debits rose by only 20 per cent. to £780m. The net result was that the net credit on civil aviation more than doubled to £270m.

Net earnings from other services increased by just over £500m. to £1.85bn. This takes in a rise in earnings of £180m. to £935m. in the broad area of financial activities. This covers insurance, banking and other financial services (more detailed figures will be available shortly). The fall in the pound has had a direct impact on transactions originating in foreign currencies of, for instance, insurance brokers and Lloyd's.

Within this general category, overseas construction earnings increased by £184m. to £476m., reflecting the benefits of the major expansion overseas of British contractors in the last few years, notably in the Middle East. Net earnings from other services were also boosted by an estimated rise of £100m. in expenditure in the U.K. by overseas students and foreign Governments.

The other major category is interest, profits and dividends, where net earnings rose by £166m. to £1.08bn., still well below the record level of 1973 and 1974. However, if the public sector interest deficit is stripped out, the net surplus on private sector interest, profits and dividends rose by £300m. to £1.72bn. The fall in the value of sterling affected all the flows here without the additional favourable impact on volume of business, as seen elsewhere notably in tourism.

The fall in the pound is officially estimated to have accounted for a major part of the 21 per cent. rise last year in earnings of U.K. companies on their direct investments to £1.92bn. But the share of these profits which were not remitted back to the U.K. rose to some 60 per cent.

Earnings of overseas companies on their direct investments in the U.K. rose by ... per cent. to nearly £1bn. This followed two years of depressed earnings caused largely by the losses incurred in the motor industry, and there would have been a loss again in total if some losses (in Chrysler U.K.) had not been underwritten by the Government. Well over half of direct earnings were re-invested in the U.K.

Elsewhere in this category U.K. oil companies increased their earning on overseas investments while foreign oil companies made a net loss on investments in the U.K. because of North Sea exploration activity.

There was little change last year in the portfolio income of U.K. residents. But there was a substantial rise in the interest earned on sterling lending, including to non-residents for financing of U.K. exports. U.K. banks' earnings on their borrowing and lending in overseas currencies grew sharply as the external assets in overseas currencies also increased rapidly.

This broad outline of the distribution and trends of invisible earnings during the last couple of years masks an acceleration in the growth of the surplus during last year, particularly as the impact of the fall in the pound worked through. Thus by the fourth quarter the invisible surplus was nearly £620m. compared with just over £400m. at the start of 1975.

There is no dispute that the surplus will continue to grow significantly this year. A survey carried out by the Committee on Invisible Exports indicates that the net overseas earnings (gross invisible earnings minus gross invisible payments) of major *U.K. service industries are likely to increase* by around 25 per cent. this year.

The biggest predicted improvement is from British construction work overseas where the Association of Consulting Engineers and the Export Group for the Constructional Industries both forecast substantial increases.

Increases

Otherwise, sharp increases in overseas earnings are expected from tourism to the U.K. and from the major U.K. airlines and in both cases the fall in the value of sterling has clearly played a major part.

The main areas of City earnings, such as insurance brokers and companies, and banks, are also optimistic about 1977 prospects. Export houses have projected an increase of between ... and 11 per cent. in overseas earnings although, like many commodity traders, they may be adversely affected by the recent exchange control restrictions on the use of sterling to finance third-country trade.

Indeed the prospects appear to be mixed in commodities according to the Committee on Invisible Exports survey, though some soft commodity brokers are predicting a substantial rise in net overseas earnings following recent price increases. However, the Baltic Exchange does not expect any growth in earnings and mentions the possibility of a slight decrease because of conditions in the freight market.

Looking further ahead, the growth in invisible earnings will, of course, depend not only on the performance of sterling but also on the growth of world trade. However, the total will be affected by the increasing flow of profits overseas from the build-up of North Sea activities as well as by increased public sector interest payments overseas.

The London Business School, for example, has forecast a rise in the invisible surplus from £2.168bn. to £2.65bn. between 1976 and 1977, but has projected a drop thereafter to £1.66bn. in 1978 and to £1.12bn. in 1979 with the North Sea as the most important factor.

Peter Ridd...

The life of the export salesman is not an easy one, and the precise reason for his success can often be difficult to pinpoint. On this and the following two pages FT writers look at a selection of companies that have done well during the past year, at the contracts they have won—and why.

Stories of success

Steel plant for Latin America

T WAS nearly four years ago hat Davy Ashmore International's intelligence network urned up evidence that demand or steel plants in Latin merica was ready to take off. The careful planning and work ut in since that time bore ruit earlier this year with a undle of contracts for a razilian steelworks. Davy stimates they will bring between £150m. and £200m. of exports and provide 20,000 man ears of work for the U.K. between now and the end of 1980.

Davy readily admits that its rtnership with merchant nkers Morgan Grenfell from e very start of negotiations as an essential element in winng the Brazilian contracts.

"The requirement is to go in th a financial package right the beginning of negotiations. e sales effort is then a comiation of technology, proven ility in the field and the lity to provide an extremely ractive financing package," 's Mr. Arthur Whiting, manng director of DAI.

What made a partnership so ential on this occasion was t the Brazilian client, Aco as Gerais (Acominas), opted negotiated contracts rather than for putting them out to tender. Acominas decided that rampant inflation would make a tendering operation difficult. It can take from six to 12 months to complete the process. The bidders would have to take that into account as every extra percentage point on the price of such a huge project—estimated at 1.75bn.—would be costly.

Acominas decided, therefore, to offer five separate contracts for what will be a fully-integrated steelworks because it also recognised that such an enormous project could not be handled by the plant makers of any one country.

Turning away from the Japanese, already heavily involved in the Brazilian steel industry, and the Americans, who have been falling behind in the technology they have to offer, Acominas looked towards Europe and to Davy. It asked the U.K. group to co-ordinate the supply of equipment and negotiated terms from France, Germany and Italy, as well as Britain. Davy was, therefore, chosen to lead a European group but a group which was not a consortium.

Advantage

This had the advantage that no one company had to take ultimate responsibility for the whole project and there were no problems over "joint and several guarantee" arrangements.

In the event, two of the five contract packages went to Davy, one each to the Creusot-Loire of France and Ferrostaal of Germany and one to a Brazilian contractor. By virtue of its leadership role, Davy's piece of "pie" is roughly equal to those of Germany and France combined.

On the financing front, Morgan Grenfell could offer a combination of long-term substantial loans in sterling, coupled with the ability to help the Brazilians raise Eurodollars to pay for their part of the steelworks project.

The Japanese were also able to offer export finance, of course. But not on such favourable terms. The U.K. finance carried an interest rate which was lower, covered a longer period of time and was in a "soft" currency.

Significantly, the Italians dropped out part of the way through negotiations over the question of credit supply. They insisted the credit be in U.S. dollars or German D-marks. The Brazilians wanted Italian lira.

As the credit period in this particular case is 12 years the Brazilians were naturally more interested in borrowing currencies which were likely to depreciate substantially over that time—currencies like the lira and sterling.

The extremely long-term loan is necessary because it is unlikely that any major steelworks project would go ahead without the borrower being given this kind of credit period. It takes a long time for a new steelworks to generate the cash flow which enables repayments to be made.

After signing the deals, Mr. Robert Owen, the Morgan Grenfell director who worked on the scheme, commented: "The Brazilians now see Europe as a place to be dealt with separately and it is gratifying to see the U.K. in a leadership role in the European context."

Kenneth Gooding

Record changer assembly at a BSR factory.

A record for turntables

WHEN A company already has 70 per cent. of the world market for record turntable equipment, as BSR, the Midlands based specialist has achieved, spectacular gains are out of the question and it is new markets, like Japan, and new products, like Accutrac, that are needed to capture new segments of existing markets, or markets not already being cultivated.

Japan was the most difficult market to crack. BSR had employed an agent in Japan for six years or so before, in September 1972, industry was liberalised and the duty rate dropped from 40 per cent. to just 4 per cent. In October BSR became one of the first British companies to set up in Japan, and Mr. Roger Allen, now the director in charge of marketing worldwide, went out there to develop the market. "For many reasons—language, custom and the organisation of distribution—Japan was a hard market for exports" he recalls. "But after liberalisation it was as easy—or as difficult—to set up the company in Japan as it is anywhere else in the world."

Originally BSR went into Japan because it is the biggest audio market after the U.S. Initially BSR sold components to Sony, Pioneer, Sanyo and others—a business that has grown to 6,000-8,000 turntables a day being imported from the U.K. by BSR Japan. This has been helped by American-based companies in Japan specifying BSR products. Within 12 months Mr. Allen, in a pioneering effort, introduced the U.K. retail selling organisation into the hi-fi market by selling directly to stores and shops, and thereby controlling margins, point of sale, advertising and so on.

Currently, helped by both the new Accutrac, a computerised turntable with a memory bank that enables you to track select on album type records in any order, and the addition of Audio Dynamics Corporation's magnetic pick up cartridge, BSR has started to develop exports from Japan and now reckons to have about 70 per cent. of the re-export business.

Basically BSR sells a component to the audio industries of the world. The record player mechanism is made in a range of increasing sophistication to suit requirements and its biggest market is in the U.S. Of the 250,000 record turntables made every week, 100,000 go to the U.S. companies like Morse, Zenith, G.E. and Sylvania. Only 10 per cent. are sold in the U.K.

Variation

Degrees of variation in the specifications needed to give an acceptable performance for the supplier of the end product have to be finely tuned. There is a vast difference between tastes in Scandinavia and Italy, and the U.S. and Japan. "It is more a matter of technical agility than of price," says Mr. Allen. "The patterns of buying are also constantly changing. In America, for instance, a significant proportion of people are becoming selective, buying a record player here, an amplifier there, a tuner, speaker and so on elsewhere to build an audio set instead of going for a ready made music centre."

In Europe the market is fragmented, with one or two multi-nationals like ITT strongly entrenched, but national boundaries are difficult to surmount. For BSR, Europe is a big potential growth market.

Peter Cartwright

Crankshafts to the U.S.

IT TOOK George Ashmore, marketing and sales director of Ambrose Shardlow, the Rotherham vehicle crankshaft maker, just an hour and a-half to clinch the £1.4m. deal with Cummins, the U.S. diesel engine manufacturer. True, he had the advantage that Shardlow was a long-term supplier to Cummins's diesel-engine plant at Shotts in Scotland and so was known to the American parent. "But we were a new supplier and I was meeting a new management. We didn't have to break the ice, but apart from that it was no different from dealing with any other management," Mr. Ashmore recalls. Cummins sent a tentative inquiry out in the summer of 1976. Mr. Ashmore caught a plane the same week in July and secured an order to suply 600-1.000 diesel crankshafts a month starting in November subject to price. He returned last January to extend the order, and will be there again in August to fix the 1978 arrangements with the purchase and supply manager of Atlas, the Cummins engine subsidiary at Fostoria, Ohio.

At 600 a month the contract yields £1.4m. for Shardlow, and £2.25m. at 1,000 if demand requires that quantity. It is not hard to fathom that Cummins's needs grew out of the dramatic dieselisation programme in America that followed the oil crisis. While the Atlas plant was unable to cope, the deal also owed something to the policy of placing some purchases overseas as an insurance. And it was made abundantly clear to Ashmore that Atlas was not just being driven into Shardlow's arms by dire necessity. "They drove a hard-nosed, commercial bargain," Mr. Ashmore says. "The specification was difficult, thought not at all unachievable. They required a very high standard of finish."

The contract gives Shardlow an estimated 8-10 per cent. of the Atlas crankshaft business in a high-volume truck area. It has helped to boost exports to 24 per cent. of turnover, double what it was three or four years ago. It is not by any means Shardlow's only American customer. The company has been supplying several others in smaller quantities for a number of years. Nor is Atlas its biggest customer. Rotherham is supplying the DAF plant in Holland with 1,400 crankshafts a month, and is well entrenched with Volvo and in Finland. Forgings (unmachined crankshafts) also are shipped to Austria, Spain, Yugoslavia, and South America.

But as a sole supplier to Cummins in Scotland it is nice to have a generous pat on the back from the parent.

Peter Cartwright

Marks and Spencer aims to increase its exports from last year's £40m. to £60-£70m. this year and around £100m. in 1978.

Marks and Sparks worldwide

MARKS AND SPENCER is not, of course, the only British retailer to sell its goods overseas. But there is something about the particular style of management at Marks which means that when the chairman, Sir Marcus Sieff, makes up his mind to embark on a crusade for new business the whole company becomes committed to the new idea too.

The export drive has been explained to staff of all levels, and buyers for the British stores have had to accept that their orders take second place to orders from the export department. Buyers from abroad are encouraged to come to England at least three times a year to see how Marks and Spencer works, and employees of the company's export customers are trained in the British shops.

The company's whole philosophy towards export is based on the premise that it is not enough merely to find someone who is prepared to sell St Michael goods overseas. The customer has to be prepared to enter into a long-term relationship with Marks—in much the same way as it develops long-term relationships with its own suppliers—and to adopt many of the standards practiced by Marks in this country. Export customers are encouraged not to put an excessive mark-up on St Michael goods, and some have even taken on board some of Marks' ideas about staff welfare.

The reasoning behind this selective approach to exports customers is simple enough. The name of St. Michael is too valuable a property to allow it to be sullied overseas.

Not that exports yet account for a very large proportion of the company's business or that its track record abroad has been unblemished. In the financial year ending March 31, the company sold £40.4m.-worth of goods overseas out of total sales of around £1bn. Around £16m. of these sales went through the company's own shops in France, Belgium and Canada. Marks admits that it made mistakes when entering all these markets for the first time and while the Canadian operation may make a profit of around £1m. this year, the company will be lucky to break even in Europe in the current year.

The rest of the overseas business can be divided into three broad categories, none of which involves taking any financial stake in another company. In 13 countries, such as Austria and Sweden, the company has given well-established retailers the franchise to sell its goods in self-contained shops trading under the name of St Michael. Under this kind of arrangement, which gives Marks the most direct control over the conditions in which its goods are sold, Marks either sells the goods direct or takes a commission on sales.

In other countries, such as Nigeria and Hong Kong, St Michael goods are sold alongside a local retailers' other lines. The other approach is for Marks to sell its products to a wholesaler as it does in Panama and Norway. The weakness in this approach is that Marks does not have the same knowledge of the shops in which its products are sold as when entering into an agreement with a particular retailer.

Broadly, Marks is not interested in customers who do not have the potential to sell at least £1m. of goods a year. But the rules are not rigid. Among the 70 or so export customers there are still some who will never sell £1m. worth of goods but who are still supplied because they have been loyal customers for some time. In Afghanistan, Marks still allows a local trader to run a shop selling St. Michael goods under the name of "Marks and Sparks"—an aberration it would hardly tolerate nearer home.

The target is to increase exports to between £60m. and £70m. this year building up to around £100m. the year after. On that basis exports will still not be a major contributor to Marks and Spencer's over[all] volume, but the overseas bu[siness] is expected to grow fa[ster] than domestic trade while the same time contribut[ing] benefits to the home trade.

Export orders mean long production runs which reduce unit costs. The suppl[iers] get paid no more for ex[port] orders, but they do, of course, get the extra volume of sel[ling] overseas without the expense of marketing it themselves. Against this, Marks has to s[up]port the additional costs of [ser]vicing overseas customers. [The] export managers travel ex[ten]sively, while some lines [are] produced specially for fo[reign] markets.

Sir Marcus Seiff has no doubt that the exercise is worthwhile. For him, the crusade to spr[ead] the export gospel has be[come] almost as important as his [mis]sion to improve human relations in British industry.

Elinor Good[man]

Helping to sell hi-fi

GISELA BURG, a former air hostess who built up her own exporting business from scratch, has strong views about the incentives which should be given to people who try to sell British goods abroad. "I am sorry to say it, but I can pick out a British salesman wherever I am in the world, by his clothes. They often look terrible. I think they should be given a clothing allowance.

"Indeed, I am very sympathetic, because you have to buy good quality suits to stand up to the travel and suitcases. You cannot get away with something cheap from a multiple tailor. And for the man on £8,000 a year with a wife and family, clothing could be a real burden.

"It is no good trying to sell a product if you look crumpled and shabby yourself. And you can't go selling in Saudi Arabia wearing a thin, blue, woollen pin stripe."

Miss Burg has built up her own exporting agency Expotus over nine years to sell hi-fi equipment for a dozen small manufacturers in 42 countries.

She started with a suitcase of equipment and a borrowed office, and has now built up her business to a turnover of well over £1m. a year. Her main idea was that many small manufacturers were making a good and saleable product but did not have the expertise or the cash to sell it abroad.

She managed to cut through a lot of red tape for them, and to help speed up payments — always a problem for the small company. But her eye for good appearances has also helped her to be critical of products which, like the badly dressed salesman, were "not presented properly for the market."

Her criticism of poor and shoddy presentation has, she claims, often resulted in improvements, not only to her own clients' products but to those of other British manufacturers which she has spotted around the world.

In spite of her success, Miss Burg's company is still small enough to be acutely aware of the enormous costs faced [by] exporters. Recently, one [trip] in Germany cost her £75 a[nd a] few days in the U.S. runs [to] several thousands of pou[nds]. "You must do an awful lot [of] business to cover your costs [and] still make a profit," she sa[ys].

One thing which particularly annoys her is that business[men] and women invariably have [to] pay full air fares, while holiday makers, who can book well [in] advance travel on the sa[me] plane for perhaps half the pr[ice].

"I think the airlines sh[ould] realise that it is the business men and the exporters who [are] making the money which k[eeps] them in business, and the Gov[ernment] should try to find w[ays] of helping exporters."

Miss Burg spends about [...] her life travelling round [the] world, with the U.S., Germany and Japan her biggest mar[kets]. And, she says, part of her [suc]cess is due to the fact that [she] never suffers from "jet [lag]". "I can get off the plane and [go] straight to work," she says.

Max Wilkins[on]

Uniform approach pays dividends

WHILE THE public everywhere is now dressing more casually, forsaking suits for jeans, demand for the most formal clothing of all—uniform—continues to rise. For it is not only the services and the police who wear uniform these days, nor need the market necessarily be a national one only, as the U.K. company H. F. Hartley, now Europe's leading uniform cloth manufacturing specialist, discovered some time ago.

The rise of the uniform has come about as companies have begun to realise the variety of function it can perform for them. Airlines, for example, rely on the attractiveness of their stewardesses' uniform to help sell their seats and to recruit staff. In other jobs uniform very often forms an important element in the conditions of service. Britain's Post Office provides its postmen with grey suits, which not only look smart on the street but which, with the removal of identification tags, can be worn after work as well. Some banks are now also supplying clerks with suits.

All of which was enough to persuade H. F. Hartley—still largely dependent in 1970 on sales to the Leeds clothiers such as Burtons and with no overseas sales—that uniform cloth manufacture offered outstanding opportunities.

The company, which is based in Bingley near Bradford, had been taken over in 1969 by Allied Textiles, one of the big Yorkshire groups, and although it still supplies cloth to the menswear groups most of this function has been taken over by other companies in the Allied group. "We decided to specialise in long runs of plain cloth, and around two thirds of our output of 65,000 metres a week is now accounted for by uniform cloth," Mr. Edward Wilson, managing director of H. F. Hartley points out.

The company, which employs around 220 people, has been on 24 hour working, despite the recession affecting other wool textile sectors, and a total of £1.5m. has been spent re-equipping the Bingley plant with modern weaving machinery under the Industry Act wool textile aid scheme.

The company's export proportion—directly and indirectly through manufacturers of the uniforms themselves—now runs between 25-30 per cent., with groups of workers ranging from busmen in Scandinavia to the palace guard in some of the Gulf states now among those wearing cloth from Bingley.

A lot of business for the company in Europe has developed from its participation in Cologne two years ago with J. Compton Sons and Webb, a major U.K. manufacturer of uniforms, which draws some of its supplies from H. F. Hartley. Other important contracts to supply cloth have been won in Oman and the Middle East, and in one of the Gulf states H. F. Hartley has been asked by the Ruler to come up with a complete range of clothing equipment and accessories for the army including uniforms, shirts, boots and jumpers.

Further investment in the next generation of high-speed weaving equipment is now be[ing] considered by the company [to] meet growth in overseas [mar]kets as well as in the U.K. which remains a subst[antial] market. Two summers of [hot] weather in Britain have al[so] led to an examination by a number of police forces [of] whether there should be a [sum]mer specification of lighter trousers, and British Rail is [cur]rently sampling cloths for up-dating and improve[ment of] its range of uniforms.

H. F. Hartley believes [its] decision to specialise in uniform cloths will enable it to con[tinue] to expand its share of the [mar]ket in Europe and elsewhere. Although other cloth pro[ducers] make uniform cloth, this [has] often in the past been a [...] trade when demand for [other] types of fabric is weak. "[We] hope to be able to offer the cloth available at the right [time] to customers and to [give] them continuity of s[upply] through our concentration [on] this type of product," Wilson points out.

Rhys D[avid]

Big orders for John Brown

IT ONLY needs a brief glance at the figures to see why John Brown Engineering's gas turbine subsidiary at Clydebank is so proud of its recent export record. In 1975-76 its total order book was a mere £12m., a disappointing fall from the £25m.-£30m. average of the previous few years. But the picture was dramatically transformed in 1976-77 when the company's salesmen turned in a total of £120m. in contracts, with 95 per cent. of that value going overseas.

The company moved into gas turbines a decade ago as a manufacturing associate of General Electric of the U.S. The hope was that a few orders on the back of General Electric would take up the slack in the marine engine market. It was not long before the shipbuilding decline took its toll and JBE went for prime contracts for gas turbines, not merely as an extra, but as a necessity to survive.

After five years the company realised that it was almost wholly in the turbine business and, with U.K. demand for heavy units low, concentrated on building up its export sales force. In the past ten years 90 per cent. of the £200m. production from the Clydebank yard has been exported, only 15 per cent. of it under sub-contract from GE.

The disappointing performance of 1975-76 reflected a conservative pricing policy that Mr. William Connell, managing director of JBE Gas Turbines, admits virtually priced the company out of the market. Faced with a high rate of inflation and fixed price contracts that could run 15 months from order to delivery, JBE felt it had no choice.

Voluntary

The tide turned the following year when the falling pound and the success of the voluntary wages policy gave the company a *competitive edge that enabled* it to re-enter old markets and gain a foothold in new ones.

The first major order of the year was announced last August. It was to supply 33 turbines, worth £26m., for gas compression stations along the 1,440-mile natural gas pipeline between Orenburg and Chust in the Soviet Union. JBE had won the order as part of a consortium led by the West German companies AEG-Kanis Turbinenfabrik of Essen and Mannesman-Export of Dusseldorf.

The news was particularly cheering for the workforce at Clydebank, because it also persuaded the company to go ahead with a £2.4m. investment programme that had been in cold storage throughout the previous year. Employment for the 1,500 workers was guaranteed into 1978 and JBE began to take on manufacturing, technical, administrative and sales staff.

Six weeks later the company announced that it had won an order worth £35m. from the British smelter construction consortium to supply 12 units for the aluminium smelter being built at Jebel Ali, Dubai.

Birthday

The company's tenth birthday was the occasion for a further announcement in October of several small orders totalling £25m. They included a small contract from China where JBE's salesman had unsuccessfully bid in the past and where the company hopes to do business again in the future.

A flurry of further orders brought the total for turbines up to £112m. by the end of the financial year with another £18m. in parts and service. "Last year was exceptional by any standards and what it has meant is that almost all our manufacturing capacity is sold out," Mr. Connell commented. "We are now only able to offer units which are, generally speaking, for longish term delivery."

Even so, the company already has a £5.8m. order from Dubai and serious inquiries from potential customers cover units totalling some 4,000 MW output. "We are confident that this year we will ship out more turbines from Clydebank than ever before," Mr. Connell added, "and we will have a reasonably good order book."

Ray Perman

A Cooper-Bessemer gas turbine package of similar design to the ones being built by COBERROW for the USSR. The Rolls-Royce Industrial Avon is seen being lowered into the set before despatch.

A boost to Anglo-Soviet trade

LIMITED PATIENCE and lness in times of crisis—se are among the qualities ich led to a £100m. order m the Soviet Union for tish-made gas pumping equipnt, announced at the end of t year. Although most of the rk will be done in the U.K., was a combined Anglo-erican success, illustrating value of specially formed sortia to handle large overs contracts.

he background to the order le very big investment which Soviet Union has been ing in gas pipelines, to trans- gas from the newly-disered fields in Siberia and where to the Western part le country and to other parts urope. Each pipeline needs umber of booster stations g the route to ensure the imum flow of gas; these ons are equipped with gas ine compressor modules, of which the main ingredients, as the words suggest, are a turbine and a compressor.

Until the end of last year the Soviet Union had virtually standardised on the industrial turbine designed by General Electric of the U.S. and made either by GE itself or by one of its manufacturing associates in Europe and Japan. The compressors have been made by several companies, including Cooper Industries of the U.S., one of the leading manufacturers of this type of equipment.

Lightweight

An alternative to the General Electric heavy duty unit is a lightweight system, based on a derivative of an aircraft engine; this is combined with an industrial power turbine to drive the compressor. The Rolls-Royce Avon engine, linked with compressors made by Cooper or one of several other companies, has been well established in the gas transmission market, with big orders in the U.K., Canada and elsewhere.

For several years Rolls-Royce had been seeking to interest the Russians in this equipment, not least as a means of opening up the market for Rolls-Royce engines in other applications. In 1975 a tender was submitted for one of the big pipeline projects; although it was rejected in favour of the GE unit, the response was sufficiently encouraging to justify further efforts. Then, at the end of 1975, Rolls-Royce was invited to tender for the Chelyabinsk project.

Since this is not the sort of project on which Rolls-Royce normally acts as prime contractor, Cooper was brought in and a consortium was formed. Called COBERROW, the consortium consisted of Rolls-Royce, Cooper Industries and Williams Brothers, an international pipeline engineering company with considerable experience of this type of installation.

After many months of negotiations throughout 1976 the short-listed companies were summoned to London, where the Russian buying organisation, Machinoimport, had established an evaluation team. Until the last moment the suppliers of heavy duty equipment, including General Electric itself and two of its manufacturing associates, Hitachi of Japan and AEG-Mannesmann of West Germany, were very much in the running. So, too, was GEC of the U.K., also offering a system incorporating the Rolls-Royce Avon engine.

The fact that the order finally came to the U.K. was a great boost to Anglo-Soviet trade; it represented the first substantial use of the £950m. credit arranged by Sir Harold Wilson in Moscow in 1975.

Geoffrey Owen

Water for the Middle East

THE 1973 oil price rise and the resulting spring to booming prosperity by the Middle East have produced unexpected benefits for a Scottish engineering company and, with £120m. of orders in 18 months, turned it into one of Scotland's leading industrial exporters.

The Weir Group of Glasgow, a large industrial company employs more than 6,000 throughout the U.K. in diverse manufacturing operations ranging from pumps through aircraft galleys to desalination plant.

And it was the latter product, in which Weirs have held a world lead for most of this century, which was to take off in the Middle East in a most remarkable way. Four years ago Weir Westgarth, the group's U.K. desalination subsidiary, had hit hard times through sheer lack of interest in the concept and was down to 30 staff. Then came the Middle East boom.

The boom is largely based on water supplies for the industries and communities now being frantically planned by the Arabs before the oil runs out. *Desalination, and particularly* Weir's pioneering multi-stage flash principle, using heat and vacuum to evaporate sea-water, was the only answer.

Since then Weir Westgarth, now expanded to 300 highly skilled technical staff, has won three of the six largest Middle East desalination contracts: £30m. to build a plant at the massive Ras Abu Fontas development in Qatar, £40m. at Jeddah in Saudi Arabia and—earlier this year—£50m. for six units at the Dubai Aluminium Company's new smelter project.

Strenuous

Lord Weir, group chairman, disclosed recently that with the desalination market "extremely active," Weir was tendering for contracts totalling £350m., of which at least £200m. worth was felt to be attainable.

The company has been making strenuous efforts to ensure that much of the valuable sub-contract work on the plants, which are fabricated and erected by sub-contracters to Weir Westgarth designs, is carried out in the U.K. and particularly Scotland.

But ironically, just when this policy was beginning to bear *fruit, Lord Weir has had to warn* that the whole desalination business may have to be moved out of the U.K. unless a solution emerges to the rapidly growing problem of finding banks willing to put up the huge bonds and financial guarantees demanded of any company tendering for major international contracts.

The chairman said inflation has pushed the value of these bonds so high—up to £10m. or *more—that bankers are becom*ing reluctant to accept the slight risk involved. He said bluntly that if the Government cannot quickly devise a simple guarantees scheme for such bonds then the group has little option but to tender for desalination contracts through its French or Italian subsidiaries, or alternatively place the work through its existing licensees abroad.

In either case Weir will still make its profits, but U.K. suppliers will lose the sub-contracted work that is already providing many jobs.

Both these firms and the Weir Group hope there is an answer. Desalination is one of the few engineering fields where a British firm not only originated the technology but is highly competitive internationally in building the hardware.

Lewis Thornton

Ready for the off: a line up of Massey-Ferguson 500 series tractors. As a result of a recent agreement these will be manufactured in Poland.

Western Europe is now Britain's biggest export market, but other areas, often posing special problems for the exporter, cannot be neglected. On this and the next three pages, FT writers examine the changing pattern of U.K. trade with some of these countries, and look at the successes and failures.

Some major markets

East Europe: persistence needed

IN VOLUME terms East Europe still accounts for so little of Britain's foreign trade that it can almost be discounted. Even including business with the Soviet Union, exchanges last year amounted to less than 3 per cent of the total, with exports accounting for closer to 2.5 per cent.

This proportion has scarcely changed at all in the last five years, and the large deficit in East Europe's favour adds up to a not very encouraging picture.

But Britain's position is far from typical. Most other western countries do much more business with East Europe than we do, and for several of them the region's share in exports is well into double figures.

Britain's total exports to Comecon last year amounted, according to OECD figures, to $1.2bn. Italy's, however, were $2bn., Japan's $2.2bn., France's $2.7bn., the U.S. $3.5bn. and West Germany's no less than $6.2bn., not including its substantial trade with East Germany. In addition, Britain was one of the few western countries that was not making a profit out of East-West trade, where exchanges are so weighted in the West's favour that Comecon's debts have become almost legendary. So it is hard to escape the impression that Britain is missing out on something.

It is not as if no effort is being made. At any given moment, East European hotels contain crowds of British businessmen trying to sell their wares. The famous Wilson credit of £950m. is available to finance sales of capital goods, and dozens of co-operation agreements have been signed between British and East European organisations.

Britain also has much to offer Comecon in the way of technology and equipment for industry, particularly chemicals and power engineering, for oil exploration and nuclear energy, aviation, agricultural know-how and consumer goods. So why has the record been so disappointing?

According to the East Europeans, who are well placed to judge the sales performance of different countries, British business is not aggressive, flexible or competitive enough.

A West German, they say, will knock on the door, and if he cannot get in there will try the window or the skylight. A Briton will announce his arrival and wait for someone to come and greet him, which of course nobody does.

Patience

A caricature, obviously, but it highlights the fact that many British exporters are not aware of the persistence and patience needed to trade with East Europe.

As for flexibility, the East European argument is that British business prefers to stick to conventional forms of trade, like straight cash sales, and is not willing to consider "more modern forms of trade like industrial and technical co-operation." Whether or not such forms are indeed "more modern," which is highly disputable, it is a fact that a western exporter who goes to East Europe prepared to consider a compensation or barter deal, or co-operation on a long-term basis, is far more likely to win an order than one who is not. This is a fact of life in Comecon.

A genuine obstacle to Britain's East-West trade has been inflation and the difficulty of pricing contracts. Not unnaturally, the East Europeans resent open-ended price clauses and prefer to deal with countries which can offer firm terms. But presumably this difficulty dogs the whole of Britain's export drive.

Several reasons are put forward by the British side for the disappointing record. Many businessmen complain about the tiresome and time-consuming procedures involved in trade, particularly with the Russians. It is quite common for an exporter to quote for a contract and hear nothing for months on end, and then it may only be a request for more details.

Others complain about lack of information and guidance, or the disincentives of barter trading. A further complaint is of political discrimination, or of simple unprofitability because of the high cost of landing a contract.

But these are problems which must afflict all would-be exporters to Comecon. It is hard to pin down specific reasons why Britain should fare less well than the others.

Largest

One possible reason is that much of the East-West trade of France, Germany, Italy and Austria is based on long-term deals to import Soviet fuel, for which Britain has no need. Neither do the British Isles plug conveniently into the growing East-West pipeline and energy network. Another is that Britain's economic difficulties make it genuinely less competitive in terms of price and delivery, though presumably this must occasionally apply to countries like Italy too.

Politics may also play a small role. Britain is the only ma[...] western country that none [...] the East European pa[...] leaders has visited officially [...] reflection of the distance wh[...] Britain still keeps betw[...] itself and the communist wo[...]

It would be wrong, though [...] leave the impression that B[...] ain's export drive in E[...] Europe is a story of failure [...] the last six months alone th[...] have been two orders w[...] over £100m.—for gas tur[...] compressors from a consort[...] including Rolls-Royce, and [...] two methanol plants from I[...] Powergas, a deal which s[...] record in Anglo-Soviet trad[...]

In other fields too, there [...] been successes. British A[...] space is tying up a m[...] aircraft co-operation [...] with Romania. Some of [...] largest projects under Pola[...] current industrial expan[...] programme are being equi[...] by British manufacturers; [...] millions of Bulgarians [...] learnt the secret of Sch[...] This year could bring fu[...] large contracts, in enginee[...] oil exploration and construc[...]

None of these contracts [...] won quickly or easily. But [...] British exporters who do [...] foothold on the East Euro[...] market tend to agree that [...] highly profitable once you [...] there.

The prospects for the [...] European economies car[...] briefly summarised. The [...] Five Year Plans foresee [...] rapid growth than earlier i[...] decade, and East-West tra[...] unlikely to repeat its sc[...] growth of 1970-75. But Cor[...] growth rates are still h[...] than in the West. The [...] has a population of 365[...] badly needs modern techn[...] to improve its standards o[...] duction and exploit it[...] sources, and it has been [...] mated that it will import [...] $25bn. worth of goods a[...] from the West up to 1980.

David Lasc[...]

The U.S.: keen competition

THE AMERICAN market represents an enormous opportunity for British exporters and one they have already seized with current exports from the U.K. running at about £8m. a day last year.

But as the companies that export to the U.S. well know, it is also a fiercely competitive market in which price, delivery dates, quality and after sales service are extremely important. Its very size, and the rich pickings to be had, mean that a British exporter is likely to meet competition not just from American companies but also from the best European and Japanese concerns in his field as well.

In such a situation the temptation to go for easy "one time" sales is a compelling one, but one that British companies are increasingly learning that they have to resist if they are really to give themselves a permanent presence in the market. EMI, for instance, which has had a great success with its revolutionary scanner long ago recognised the over-riding need to set up a good service network even before it had sold many machines.

With competition in the scanner market becoming tougher a great deal is going to depend on this network, particularly as new and more advanced models come on line. Rolls-Royce which has a superb after sales reputation, is another British company which recognised many years ago the importance of sound, reliable product support.

British Leyland, however, despite its enormous success in selling cars in the U.S. does not have a good reputation for its after sales service or for its network of garages. Last year its products were the largest single export to the U.S.—at some £300m.—and there is no doubt that more cars could have been sold if there had not been persistent supply problems in the British factories which supplied the cars.

Last year was very much better than the year before for British exporters as a whole, with overall sales up 40 per cent. in value terms (to £2.5bn.) over the year before. Part of the increase, however, can be ascribed to the fall in the sterling exchange rate, and part is a natural recovery from the difficult year before.

So far this year the latest statistics suggest that sales are up about 14 per cent. in value terms—an encouraging figure given the relative stability of the exchange rate and the slight improvement in British inflation. A recent survey of U.K. subsidiaries in the U.S. concluded that 90 per cent. of those surveyed find that the U.S. economy is in markedly better shape than a year ago, and overall they predict an increase of about 10 per cent. in value terms.

After cars, chemicals are the next largest category of British exports (at about £233m. last year). After that came beverages, including, of course whisky, at about £200m. last year. Aircraft engines were worth another £142m. and all types of non-electrical machinery totalled some £500m. with electrical machinery earning another £150m.

Seriously

There is abundant evidence that British companies are now taking the American market even more seriously than in the past. Last year, the number of British exhibitors at trade fairs in the U.S. was a record as was the number of British visitors to consular posts in the U.S. Companies like General Electric and Boots, meanwhile, have continued the trend of British companies buying into American concerns which still makes Britain the largest single foreign investor in the American market.

If there is one cloud on the horizon, as British com[...] become increasingly com[...] to success in the Am[...] market, it is that there ar[...] some preliminary signs [...] margins are being squeez[...] the past two years, the [...] the pound has been am[...] number of factors which [...] made exporting very pro[...] and this, of course, is th[...] possible incentive to enc[...] new efforts to penetrat[...] American market.

In the past few month[...] ever, the stabilisation [...] exchange rate coupled wi[...] tinuing inflation is begin[...] result in tighter margins. [...] could in months ahead [...] export enthusiasm.

Overall, however, th[...] market remains a grea[...] lenge. Set against the [...] tage of a common langua[...] a continuing predisposi[...] be friendly towards Bri[...] a fierce competitive e[...] ment, enormous distr[...] problems and the need to [...] to different consumer [...] ences. The companies th[...] invested the time and m[...] this market know what [...] to offer. Sadly there a[...] some companies which h[...] made this investment a[...] having to find out the ha[...]

Davi[...]

The Middle East: business is brisk

3RITISH EXPORTS to the Middle East rose by just under two-fifths to £3.2bn. in 1976. They have now increased by a factor of nearly 4½ in just four years, which is explosive growth by any standards. And to judge by the latest figures available from the Department of Trade—for the first four months of 1977—this country's export business with the area remains very brisk indeed.

The importing performance of individual countries shows plainly that the upsurge in demand for U.K. goods and services has its origins firmly fixed in oil wealth. Exports to Arab countries last year rose by 57 per cent. to almost £2.2bn., while for the first four months of 1977 this figure already stands at well over £900m. Exports to Saudi Arabia doubled to £400m. in 1976, those to the United Arab Emirates shot up from £199m. to £323m. and those to Kuwait increased to £144m. from £99m.

But there were also plenty of sluggish performances, notably outside the Arab bloc. Exports to Israel actually dipped (by ... per cent.) in real terms, allowing for last year's dramatic decline in the foreign exchange value of sterling, and so did those to Iran (though despite much publicised liquidity problems, Iran remained the major importer of British goods last year, taking £510m., or almost a sixth of the Middle Eastern total).

Looked at in real terms (or at least in terms of U.S. dollars) this country's export drive to the Middle East was still impressive. Export growth in terms of dollars was 19 per cent. with exports to Arab countries rising by just under a quarter. By comparison British exports to the world at large rose by only 5 per cent. on the same dollar basis.

Exports to the Middle East now account for something like an eighth of the U.K. world total so in a very few years they have built up to a level that is critical to the U.K. economy in terms of a moving market share. In this respect the one disquieting aspect of last year's export performance to this part of the world is the growing feeling that many major exporters have that Britain's increase in trade fell behind that of its major competitors.

Worrying

The possibility that the U.K. is no longer holding its own in the Middle East is worrying. The region is the world's fastest expanding market and successive U.K. governments have, after all, placed plenty of emphasis on export led growth. There is plenty of scope for getting the trade balances of the U.K. and the Middle East more into line: last year this country's visible trade deficit with the Middle East widened by around 45 per cent.

By comparison with some of its major competitors in the industrialised world Britain remains a relatively slow exporter to the Middle East, despite its historic links with the region. In 1976, total exports in U.S. dollars amounted to $5.7bn., whereas two years ago (in 1975) France was selling as much as $5.9bn. worth of goods to the Middle East and West Germany $8bn. Japan's export trade totalled $6.5bn. in 1975, while the U.S. dwarfed everyone with a figure of $10.9bn.

This year could be a fairly crucial one for British exporters. A Department of Trade survey in January concluded that the major firms questioned expected growth in exports this year to slow down. This trend is perhaps understandable given the massive upsurge in recent years, but it is equally clear that U.K. trade with the Middle East is growing less rapidly than that of the main competition.

The mainstay of U.K. exports in 1976 continued to be machinery and transport equipment, where sales rose by 39 per cent. to £1.08bn. Excavating machinery built in this country rose in price by over two-fifths on average last year, suffering from the highest rate of price inflation for machinery imported into the Middle East. Exports of manufactured goods rose by 54 per cent. to £366m.

In absolute terms, the biggest increases in exports of machinery and transport equipment arose in Saudi Arabia, Egypt and the United Arab Emirates other than Abu Dhabi. But motor-car sales to the North African countries as well as Israel moved up sharply, while both Turkey and Morocco imported over 2,000 more lorries last year than in 1975. Morocco and Turkey more than doubled their intake of tractors from the U.K. Last year's supply of telecommunications equipment included £27m. worth to Saudi Arabia and over £10m. worth to both Iran and Iraq.

Boom

The construction sectors among U.K. exporters had a boom year in Saudi Arabia last year as the impact of the Saudis' Development Plan II began to make itself felt. Tonnages of construction machinery moved up sharply, with excavators rising 27 per cent. over 1975, mineral crushing equipment increasing by 74 per cent. and tonnages of lifting and loading equipment rising from 1,600 tonnes in 1975 to over 10,000 tonnes last year. Saudi Arabia also purchased £13.8m. worth of pre-fabricated building components last year, together with 20.3m. worth of structural iron and steel. A high level of construction activity was also seen in Dubai and Kuwait, where *the U.K. has* some well established markets.

In contrast export trade with Iran was disappointing from almost every point of view. Sales of structural iron and steel moved up along with textile machinery and electrical power and telecommunications equipment. But purchases of aircraft parts, tractors, cars, excavation equipment and synthetic fibres dropped. Sales of machinery and transport equipment to Iran rose from £279m. to £299m., which implies a considerable decline in real terms—allowing for the weakness of sterling last year.

One area where the UK is likely to have stayed in a strong position is in the field of invisible exports—financial services (like insurance and banking) together with a multiplicity of "expertise" deals. It is a pity that the Department of Trade has no way of recording this type of exporting muscle.

Jeffrey Brown

A drainage trench under construction in the floor of the main dock of the Dubai dry dock complex. The dock is being built by the Costain-Taylor Woodrow Joint Venture.

BRITISH TRADE WITH THE MIDDLE EAST (£bn.)

	1976	1975	1974	1973	1972
·ab countries	2.17	1.42	0.84	0.49	0.39
in-Arab countries	1.04	0.91	0.65	0.49	0.34
iddle East total	3.21	2.34	1.49	0.98	0.74
'orld total	25.8	19.7	16.5	12.4	9.7
ddle East as a % of world total	12.5	11.9	9.1	7.8	7.6

ırce: Department of Trade.

Latin America: a neglected market

'RE ARE *two attitudes that* be adopted to British ex- ı to Latin America. The ric one is that they should be given overmuch priority ttention seeing that they equivalent to no more than sh sales to Sweden, a er and easier market where could be drummed up a great deal less effort is involved in crossing the ıtic.

e opposing view is that the ıtial for British exporters great in Latin America the area needs a much *er slice of everybody's* tion than it has merited e past.

ımps

the event neither view ınd British trade with the bumps along much as it one in the recent past. ear British sales came to . against imports from gion of £705m., giving a able balance to Britain m.

he first quarter of this ales totalled £183m., 7 per down on the amount ed in the last quarter of ar. Britain has not done l in its sales efforts to America as it has in other s of the developing world its trade with the coun- of OPEC, with whom s now a trade surplus.

rtheless the effort is be- pt up and major selling gns promoted in the ıat one day this country rry off a jackpot prize size of the massive nuc- al between Brazil and ermany.

Department of Trade consultation with ex- mounted ambitious irs in the region. Of the st recent *the one held* il suffered from being rather late when much bloom had come off the ian miracle," while that n Venezuela earlier this ıs held to have been a success.

year it is to be the turn co to be the target *of a* ir which will be aimed at carving out a posi- British suppliers to the *fast growing* Mexican oil producing and refining industries.

Brazil, naturally, as the most populous state of the region with a great hunger for capital goods, *is the most important* single purchaser of British goods. It was therefore with some apprehension that British traders heard of the curbs put on imports last year by the authorities as part of their drive to balance Brazil's visible trade.

In April the drive finally achieved its desired effect and Brazil achieved a small surplus, exports notching $1.07bn. against imports of $1.06bn. It is unlikely that this good result will be able to be maintained during 1977, particularly if the prices of coffee and soya, two main Brazilian exports, retreat from their present high levels.

The patchy nature of British exporters' current relations with the Brazilian market is best typified by the fate of two big deals which were widely reported to have been clinched by British exporters during the state visit of General Ernesto Geisel to Britain in May of last year.

The construction of a big new steelworks in the state of São Paulo, Açominas, is later this month going to be backed by *one of the biggest loans ever* put together for a Brazilian project. Managed by Morgan Grenfell, the loan will cover the supply of goods and services by Davy International to the new steel company. Hundreds of millions of pounds worth of work should be coming to British factories.

Victim

Less successful has been the idea of a Ferrovia do Aço, a rail link from Minas Gerais to the sea. It has fallen a victim to spending cuts in Brazil. The British loans had already been extended to the Brazilians before the news of the cancellation came through. General Electric Company, which was to have been the main contractor for the railway has been disappointed in a multi-million pound deal, though the company claims that orders to a similar value are to be placed with it for other Brazilian rail schemes.

Hugh O'Shaughnessy

Australasia: still an important market

ALTHOUGH AUSTRALIA is a traditionally strong market for British products, increased competition from Japan and Far Eastern countries have been a major factor in the decline in the British share of the Australian market.

More recently there have been increasing fears over protectionist tendencies in Australia's trade policy, which are directly mainly at goods such as textiles, clothing and footwear and are intended to protect domestic industries.

Although British exports to Australia have risen steadily in recent years, reaching £688m. last year, this must be seen against the fact that in 1966 Britain held 25 per cent. of the Australian market, whereas it was 10.8 per cent. last year.

Similarly, in New Zealand Britain has lost its role as the chief source of imports since joining the Economic Community. Nevertheless, both countries remain valuable markets with close links, and Australia buys one third more goods from Britain than it sells here.

This shift in trade patterns is due mainly to Japan's growing demand for raw materials and foodstuffs and the consequent reciprocal trade. There has also been a deliberate Australian policy since the early 1960s to diversify markets.

But the potential for U.K. exports in a wide range of manufactured goods and machinery is particularly good where Australian-made products are not available as an alternative. For example, latest figures show strong demand for U.K. exports of passenger motor vehicles and various plastics materials.

Australia has recently been one of the few industrial countries running a strong trade surplus, due largely to its mineral wealth. This position of strength has clearly encouraged the Government to risk upsetting its Asian trade partners by imposing curbs on imports.

Even New Zealand, normally exempt from any trade restrictions, has had to moderate exports of clothing and textiles to Australia. However, this protectionist phase is clearly dictated by economic circumstances, and in the longer term Australia's mineral resources will be a strong bargaining counter.

The country is about 70 per cent. self-sufficient in oil supplies and the further development of offshore oil and gas reserves in the north-west of Australia is a highly valuable market for offshore technology of the kind developed for North Sea oil.

However, despite the tapering off of the 1960s mineral boom, there are vast mineral resources to be tapped and the real value of mineral exports could reach A$4-5bn. by the early 1980s. In order to exploit these minerals, such as coal, iron ore, aluminium, copper, etc., the Australian Government is encouraging inward investment.

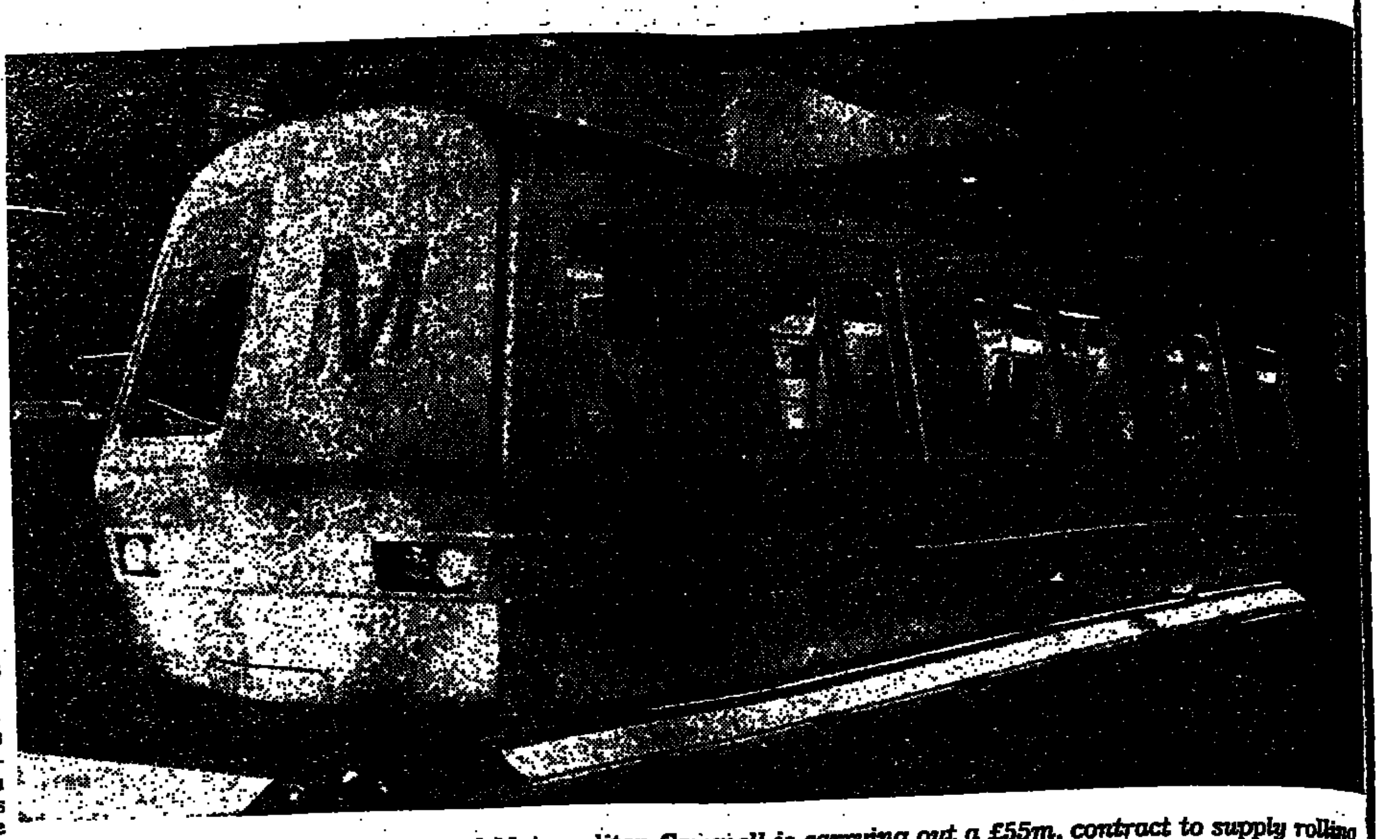
This opens the way for a large new area of British exports, particularly in high technology mining equipment, and is probably the most promising growth area.

On the other hand the problem of Australian unemployment in key industries is a major brake on trade, and the protectionist mood of the country has been growing stronger. Other import items which are causing concern are carpets and carpeting, wool textiles and spun yarns.

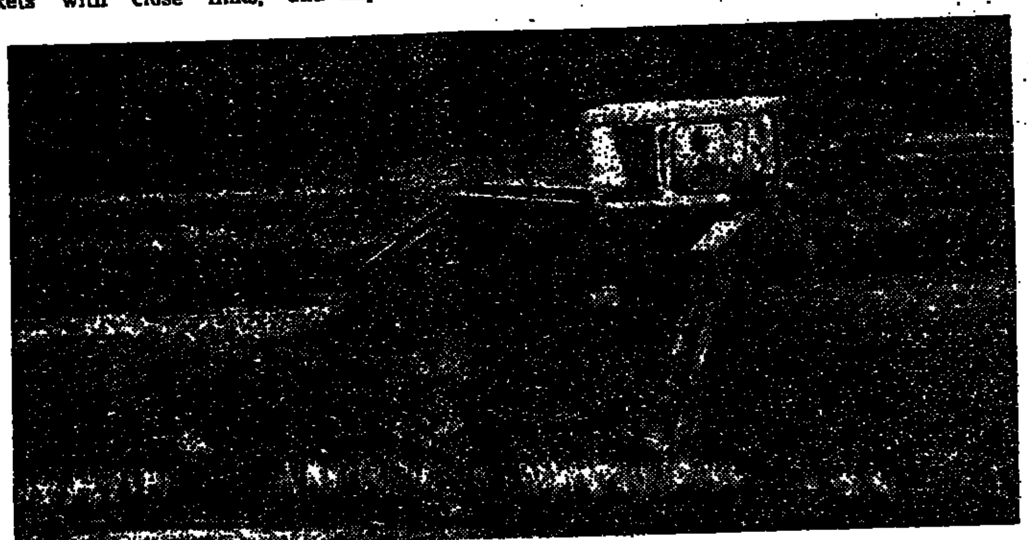
Although the devaluation of the Australian dollar was not expected to affect exports, the fall in car imports in May this year was partly attributed to this, and it is clear that the added cost to imported products must have had some dampening effect on exports from the U.K.

However, the future of Australia as a market for British goods depends largely upon its own economic performance and its success in bringing inflation under control. While this problem persists and unemployment remains high, those in favour of protectionist measures are likely to prevail in the debate.

Lorne Barling



A British group including GEC and Metropolitan Cammell is carrying out a £55m. contract to supply rolling stock for the Hong Kong underground railway.



A JCB excavator loader involved in ditch digging near Alice Springs in Australia. Last year JCB exported nearly 60 per cent. of its production to over 100 countries.

The Far East: some untapped potential

AFTER JAPAN, Hong Kong is Britain's largest export customer in the Far East, and the Colony's remarkable economic performance in 1976 illustrates its vitality both as exporter and export market, with its large re-export potential.

After an increase in exports (including re-exports) of nearly 40 per cent. last year against a 29 per cent. increase in total imports, the Colony ended the year with a trade deficit of HK$1.7bn. This was less than half the 1975 figures—but has not given cause for complacency. Last year Hong Kong bought goods and services from the U.K. valued at £204m.

After Hong Kong, Singapore is Britain's third largest and most buoyant Far Eastern export market, and exports there have risen by 114 per cent over the past four years. The country's development programme and its financial centre has made it one of the key areas in South-East Asia.

Last year Britain exported goods worth a total of £168m. to Singapore (slightly less than 1 per cent of total exports), but in the past four years Britain's share of the market has been eroded from 7.8 per cent. to just under 5 per cent., reflecting increased competition from countries such as Japan and South Korea.

According to a recent Midland Bank report, even greater competition can be expected in future, and with the Singapore Government anxious to develop new industries, prospective exporters will need to pay close attention to trends.

It is pointed out that as an oil refining centre and the supply base for offshore exploration, it has enhanced its importance as an export market and has attracted the attention of an increasing number of trading nations.

In 1973 U.K. exports to Singapore amounted to £101m., which increased by 1975 to £157m., with £42m. of this being taken up by sales of non-electrical machinery, followed by electrical machinery and equipment worth £27m. and transport equipment worth £20m.

Although Indonesia takes fourth place as the U.K.'s Far Eastern export market and continues to make substantial advances, South Korea's booming economy has attracted the attention of British exporters, particularly in view of the recent visit there by Mr. Edmund Dell, the Secretary of State for Trade. But Mr. Dell expressed his concern at the widening trade gap between the two countries, with Korean imports from the U.K. at £63m. last year, compared with exports to the U.K. at £136m., an increase of 82 per cent. Even more alarming has been the increase in imports in the first quarter of this year, which were double the figure for the same period last year. However, Mr. Dell did achieve agreement on the need to balance the trade gap and a senior purchasing team is to visit the U.K. in the autumn.

One reason why Britain is not yet taking more drastic action on imports is that Korea is taking more British goods whereas Japan imported less in 1976 than it did in 1975.

It is clear that Korea is a dynamic market for a range of goods which could suit British needs, particularly in the supply of engineering equipment. The demand from a number of Middle East countries for plant and equipment from Korea, some of which has to be supplied by sub-contractors, could create opportunities for U.K. companies.

Lorne Barling

China: better prospects

BRITISH TRADERS are hoping that better prospects now await them in China than they have seen for some time. Since chairman Hua Kuo-Feng set up a new leadership in October last year, both he and other Chinese officials have continually stressed the importance of the economy and the role in it that trade should play.

This makes a U-turn from the policies of the past three years when the "Gang of Four," as Chairman Mao's widow and her three colleagues from Shanghai are called, dominated policy, reducing exports of Chinese war materials and cutting down imports of foreign technology.

Although China has been short of foreign exchange, a delegation from the Bank of China is at present touring Europe (it is due in London in the second week of June) talking to bankers. It seems more than likely that the financing of future trade deals is the subject under discussion.

But the new trade policy has not really got going yet. The Chinese are still sorting out the troubles caused by the political difficulties of last year. Sir John Keswick, vice-chairman of the Sino-British Trade Council, visited China last month and commented on his return to Hong Kong that he did not think, as he had believed earlier, that the Chinese were immediately about to buy more industrial equipment from the West. He thought that any renewed purchasing would be deferred until the end of this year.

Revising

This was the message also put across to businessmen who visited the Exports Commodities Fair during the spring. The Chinese conveyed the impression that they are now revising their 10-year plan, which was supposed to start in January last year but was rudely interrupted by the political troubles that followed the death of Premier Chou-En-Lai, and later of Chairman Mao himself.

Last year the very mention of economic planning was enough to make Chinese officials a likely target for criticism. This year the new leadership is working on its plans to make up for lost time. Dozens of economic conferences have already been held, and the most recent was accompanied by a People's Daily article which put forward a surprisingly liberal point of view, that China should import from foreign countries whatever was good in every sphere.

British exports have some leeway to make up. Figures for sales to China in the first four months of this year at under £22m. were only about two-thirds of those for the same period last year, which reached nearly £30m. Even the £22m. figure was unusually boosted by sales of aircraft under the old contract for Tridents with Hawker Siddeley, which is now almost completed. So far there is nothing to replace them and British exports will chug along at a very low level until a new round of Chinese buying begins. However, a 16-member delegation from the Sino-British trade council is to visit China in the autumn.

Handicapped

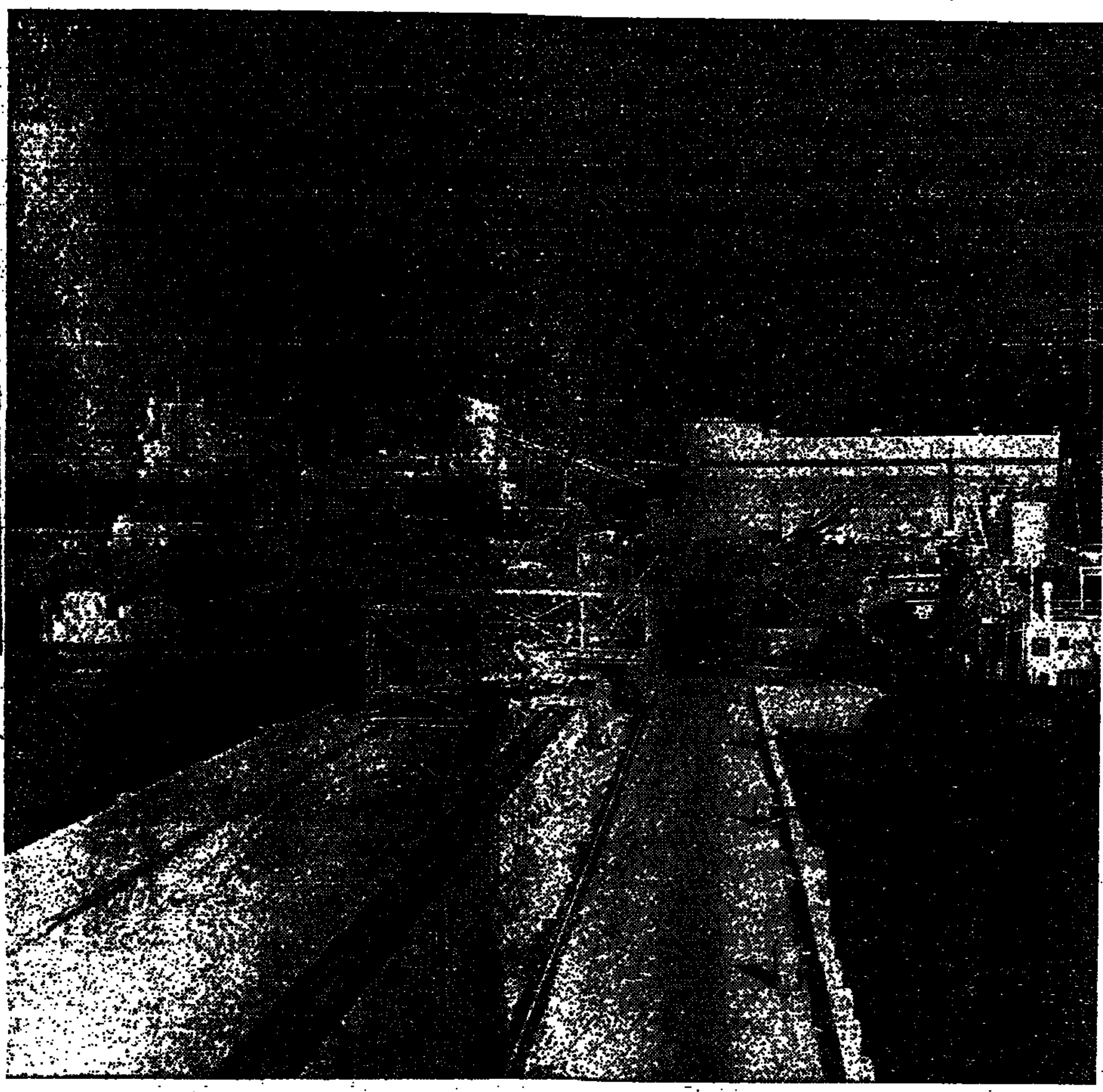
British businessmen are somewhat handicapped in dealing with Peking as the Chinese insist on fixed price contracts, not popular in the U.K. because of rapid inflation. Furthermore British manufacturers in Chinese eyes are unreliable on delivery dates. Thus Britain has fallen further behind its European competitors.

The Sino-British Trade Council is making a big effort to put that right. Beside the group visit to China next September, a sub-committee is at present studying the problem of exports and will be publishing a rep[ort] in June.

Britain is not alone in [its] China trade problems. Jap[an] had a 27 per cent. fall [in] exports to China last ye[ar] while U.S. export figures [more] than halved. Although W[est] Germany's sales total for [the] year rose enormously, a look [at] the figures shows a rapid d[rop] towards the end of the ye[ar] a sign that even that flourish[ing] commerce had been affected [by] the political climate.

When the Chinese have com[pleted] the revision of their t[en-]year plan it is hoped that th[ey] will begin to fill the gaps [in] equipment that their own ind[us]try cannot supply from abro[ad]. Two obvious areas are [oil] exploration and development equipment and agricultur[al] machinery, both of which th[ey] have indicated they will ne[ed]. While in the long run they w[ill] probably be able to manufactu[re] these things for themselves, [in] the short term it seems v[ery] likely that they will import [in] order to save time. Britain c[er]tainly ought to be able to com[pete] in these and other fields.

Colina MacDoug[all]



The 10,000 ton Albright Explorer being loaded in Newfoundland with the first shipment of yellow phosphorus for Nippon Chemical in Japan. The order is worth £4m. to Albright and Wilson.

Japan: problems of distribution

RITAIN'S EXPORT trade with pan rose by 36 per cent. to ound £149.5m. in the first ır months of this year. The neral upturn in world trade partly responsible for this provement but so are the in-sive efforts that industry, ether with the various U.K. de organisations, has been king in order to boost trade ween the two countries.

Buoyancy

Yet despite the relative buoy-y of this country's export le, the Japanese business mmunity continues to outsell U.K. on a mammoth scale. anese imports into the U.K. ounted to £344.5m. during first four months of this r, a rise of 57 per cent. In 6, British exports to Japan eased from £308m. to 0m., but Japanese imports ed up from £672m. to £796m. eating a trade imbalance for country of no less less than 5m.

nderstandably the U.K. orities are concerned at this ation, and as a result the sures within the U.K. for ncreased level of trade with n are rising almost daily. But it is equally clear that if trade between to the two countries is to progress on an equitable basis a fairly radical shift in Japanese importing procedure will have to be made.

In a recent speech in Tokyo, Mr. Edmund Dell the Secretary of State for Trade, told a meeting of foreign and Japanese journalists that Britain wanted to see the "final abandonement by Japan of the idea that imports were somehow slightly unpatriotic." Mr. Dell argued that Japan has an unnaturally low ratio of manufactured goods to its total imports from the U.K. (around a fifth compared with roughly half for export trade generally with Europe). He warned that failure to adjust this ratio upwards might have grave consequencies for the stability of world trade.

This sort of language is of significance more in political terms than as a specific threat to commerce. But the U.K. authorities are plainly urging the Japanese to take a less restrictive line with imports. Until the late 1960s Japan was heavily protected by import quotas and general tariffs. These have largely been removed but their place has been taken by a system of local practices that—though difficult to define and accuse of outright protectionism—have the effect of making it hard for foreign businessmen to break into the Japanese market.

There are, for example, a great many admission regulations applying to a variety of goods and products, notably foodstuffs. These are strictly laid down but also discretionary and liable to sudden change. This makes exporting to Japan the sort of headache that the businessman with extended communications can well do without—which is frequently what he does, preferring to concentrate on Europe or the U.S., where trade is both freer and less extended in terms of delivery time.

Competitive

It has also been claimed that the Japanese distribution system can result in some products being sold at as much as *five times their retailing price* in the U.K.: in contrast Britain's distribution system allows Japanese goods to reach the consumer in this country at a much more cost competitive price.

However, despite its apparer hostility towards imports, Japa is clearly an important worl market—and one that industr in this country can successful carve their way into if they ar prepared to devote the time and energy. The British Overseas Trade Board has assessc the time needed as five year for a successful market shar to be built up from scratch ir Japan.

The BOTB's current intensive campaign for increasing U.K. exports to Japan takes three separate forms. One is general to world trade in general with the Board sending out trade missions—22 are earmarked for 1977. But the other two arms of the campaign are confined to attempts to lift U.K.-Japanese trade.

The Board (through the British Marketing Centre) exhibits directly at Japanese trade fairs—there were ten instances last year—while in London it has its own Japanese unit. This gives advice to potential and existing exporters as well as co-ordinating the Government's attempts to boost trade with Japan.

Africa: some fast-growing markets

RIA HAS taken over from Africa as Britain's largest ng partner on the African nent and is now one of the st growing—if not the st—among British export ets anywhere in the world. s point was re-emphasised last month by Dr. David , the Foreign Secretary, idded: "For Britain, as a trading nation, Black is an area of rapidly ng importance." But it is n area of rapidly growing tition, with the U.S., West any and France fighting greater share of the im-market of Britain's Com-ealth partners. At the time there are consider-pportunities for enterpris-ritish exporters to break he more prosperous of ancophone African coun-

ss the continent the old l trading patterns are lly growing more blurred, tion that applies to South no less than to the Black

h Africa, partly for politi-sons, is keen to diversify ort sources as much as e, a fact that helps to ex-why Britain last year only third among the ic's main suppliers, be-e U.S., which obtained order for Boeing air-nd then West Germany, has acquired a better ion than Britain for ble to supply the market when needed.

n's accession to the Market has also meant n emphasis among U.K. s towards Europe and am South Africa, Canada and Australia, so that the relative importance of all three countries has diminished over the past ten years. South Africa, which ranked fourth among Britain's export markets in 1966, taking £247m. of goods, or 4.7 per cent. of total British exports, now lies in 13th place, importing £645m. worth of goods last year, 2.5 per cent. of total exports.

But this is still a high percentage and South Africa remains one of this country's most imporant export markets, even though the recession there and the import surcharge imposed in the last Budget are having effects on the current volume of trade. Britain, which has an 18 to 20 per cent. share in the Republic's import market, has one distinct advantage over its competitors in that U.K. companies are the largest foreign investors in South Africa and there is therefore a steady demand for British components, machinery and spares.

Fierce

With South Africa manufacturing many of its own consumer goods, there is not the export potential in this sector there used to be, but international competition remains fierce in the heavy capital goods market.

Since Nigeria's oil boom, competition there has been equally fierce and Britain's share of the import market has dropped during the past seven years from 31 to 32 per cent. to around 25 per cent. But this is still considerably above the 15 to 20 per cent. share Britain holds in its other main Black African markets, Ghana, Kenya and Zambia. And with North Sea oil coming on stream, the trade balance with Nigeria is heavily in Britain's favour. Last year the U.K. sold goods worth £774m. there, while imports from Nigeria totalled £317m.

British officials expect Nigeria's imports will increase at an average rate of 20 per cent. per annum over the next five years and feel that the volume of U.K. trade will keep pace with this, despite the challenges posed by the U.S., West Germany and France, with the Japanese also showing signs of greater interest in this market.

Nigeria's succession of indigenisation decrees, placing a greater shareholding in local hands, is not expected to alter the pattern of trade, although it could make it more difficult for companies to find good local agents. And a good agent is an important asset in Africa, where communications can be frustratingly difficult, appointments are often difficult to make and incorrect documentation can produce payment delays.

An additional problem is transport, getting goods into the various countries. Nigeria, for example, has its port congestion, although British exporters have an advantage here in that the U.K. conference lines have two permanent berths at Apapa, the port for Lagos, with an average turnround of four to five days. Zambia, to which Britain exported £66m. of goods last year, has faced transport difficulties ever since the closure of its border with Rhodesia, a situation exacerbated by the closure of the Benguela railway, its outlet to the Atlantic, during the Angola civil war.

Nigeria apart, Kenya is regarded as the most promising market for British exporters in Black Africa during the next few years. Ghana, which imported £82m. of British goods last year, is in economic difficulties which look like persisting, even though the Government, encouraged by high cocoa prices, has announced an increased level of import spending for this year.

Meantime, the Lomé Convention, governing trade between the EEC and Black Africa, has opened up new opportunities for British exporters in Francophone Africa, notably in the Ivory Coast, one of the continent's most successful economies, and in oil-producing Gabon. There are problems in making inroads here—business practices are somewhat different and there is the language barrier—but none of the difficulties is that great.

Most attention is being focused on the Ivory Coast. Mr. Michael Meacher, the Under-Secretary of State for Trade, has paid a visit there, as did Prince Charles in March. A British trade fair is being mounted in Abidjan next February, at which some of Britain's largest companies intend to exhibit. And the British Overseas Trade Board has written to 100 British companies which operate in France, asking whether they would be interested in expanding in the Ivory Coast, the idea being that these companies, with their French experience, would find it easier to break into the Ivorian market.

Britain is one of the world's leaders in international tourism and in this Jubilee year it is heading for a net surplus on the tourism account of no less than £1bn. But, as ARTHUR SANDLES here points out, there is a need to distinguish between the temporary and the lasting factors in our favour.

Tourism bonanza

BRITAIN is nowadays very much in the major league when it comes to international tourism. At one stage this particular section of the export business was invisible by both nature and name when balanced against the spending by Britons abroad. Last year, however, the net surplus in our favour topped £500m. and gross receipts, including fares paid to British carriers, were more than £2bn. This year the British Tourist Authority is looking to year-end totals which will show spending at a steady average of £7m. a day.

Finding the root cause of Britain's success in the tourist business is not easy. True, in tourist terms we have a good product and, via the BTA and British Airways particularly, it *is well marketed abroad*. There seems, however, to be some other secret ingredient which has turned the possible into the actual. Tracking the ingredient down is important—after all, we might let it slip away without ever knowing what it was.

There is considerable argument that much of the tourist boom is due to the rapid fall in the value of sterling against the currencies of the tourist-generating nations — notably Western Europe and the U.S. But this is not entirely supported by the available evidence. Much of the strength of Britain's tourist boom has been in areas which are not noticeably price-sensitive. The hardest pressure on accommodation recently has been on the jet-set strip of London's Park Lane, an area where prices are not noticeably different from big city tariffs in the rest of the world.

Shopping

There is of course the question of shopping. Britain's shops are still rather more sophisticated than many elsewhere and the Jaeger clothing and Doulton china that seems to the locals to be at the up-market end of the shopping list are surprising inexpensive when compared with the prices charged for such goodies in Munich or Miami.

Another important factor is that Britain is a small country, and the bright lights of the West End are not very far from the Georgian splendour of Bath, the mysteries of Loch Ness or the rolling scenery of Wales. However, this element, like the others, is simply part of the secret formula. The question bothering the tourist industry within the U.K. is whether the totality can be retained.

Oddly enough the greatest danger to this particular export activity may well be the very prosperity to which it contributes. Although tourism may not be as price-sensitive as many people assume, it is certainly price-aware. Marginal movements in costs do not seem to have a serious impact on tourist arrivals, but substantial change can affect traffic, particularly when those changes are marked in their contrast with rival or adjacent destinations. Thus it may not only be the rapid fall in the value of sterling which helped the British tourist boom last year, but also the relative strength against the dollar in particular of some other European currencies.

If the British economy were to revive to such an extent that sterling was forced up in value, while at the same time rival currencies fell (as the Portuguese escudo and Jamaican dollar have already done recently, and as the Spanish peseta may well do after the elections), it would spell a tough time for tourism. If any demonstration of this effect were needed one only has to look at Swiss, German and even Austrian tourism in recent years. Pressure on the Swiss has been such that some hoteliers are boasting about the fact that they have not raised *their prices for three years*. Germany keeps a very low tourist profile these days thanks to the *fact* that most of the countries which might supply the tourists have somewhat weaker currencies than the D-mark and tourists do not like feeling poor during their visits.

The *differing approaches* to tourism produced by changed circumstances are striking. In Britain the talk is of tourist taxes in order to squeeze a little more from the visitors. In some parts of Europe they are talking instead of a Government-subsidised advantageous tourist exchange rate so that the visitor can afford to stay.

The other problem with prosperity is that it encourages residents to venture abroad more. Much of the £1bn. tourism surplus for which the U.K. is heading at the moment is accounted for by a fall in the number of British residents going abroad for their holidays. If the economy were healthier then the revenue of the airlines and tour operators would rise—to the cost of the travel account.

It is for these reasons that Britain has to be extremely careful to preserve what is at the moment a healthy industry, but in order to do that the Government is faced with some *fine dilemmas. These are both* practical and political. Politically governments are not particularly keen to encourage service industries, which tourism is—a contrast emphasised for Britain when that service industry is heavily based on London and the South. Tourism has very little voting power. It is not particularly unionised in spite of Sir Charles Forte's current difficulties and the effects of tourism are such that much local voting pressure is anti- rather than pro-tourist.

Example

In practical terms Government can only stimulate areas of tourism on a minor scale. In Britain, unlike many other countries, it cannot manage tourism. A simple example of this might be the Norfolk Broads. There are various areas of the Broads which might be opened up and used for tourist purposes. Any attempt to do this, however, would lead to an alarming conflict of interest between the numerous authorities involved.

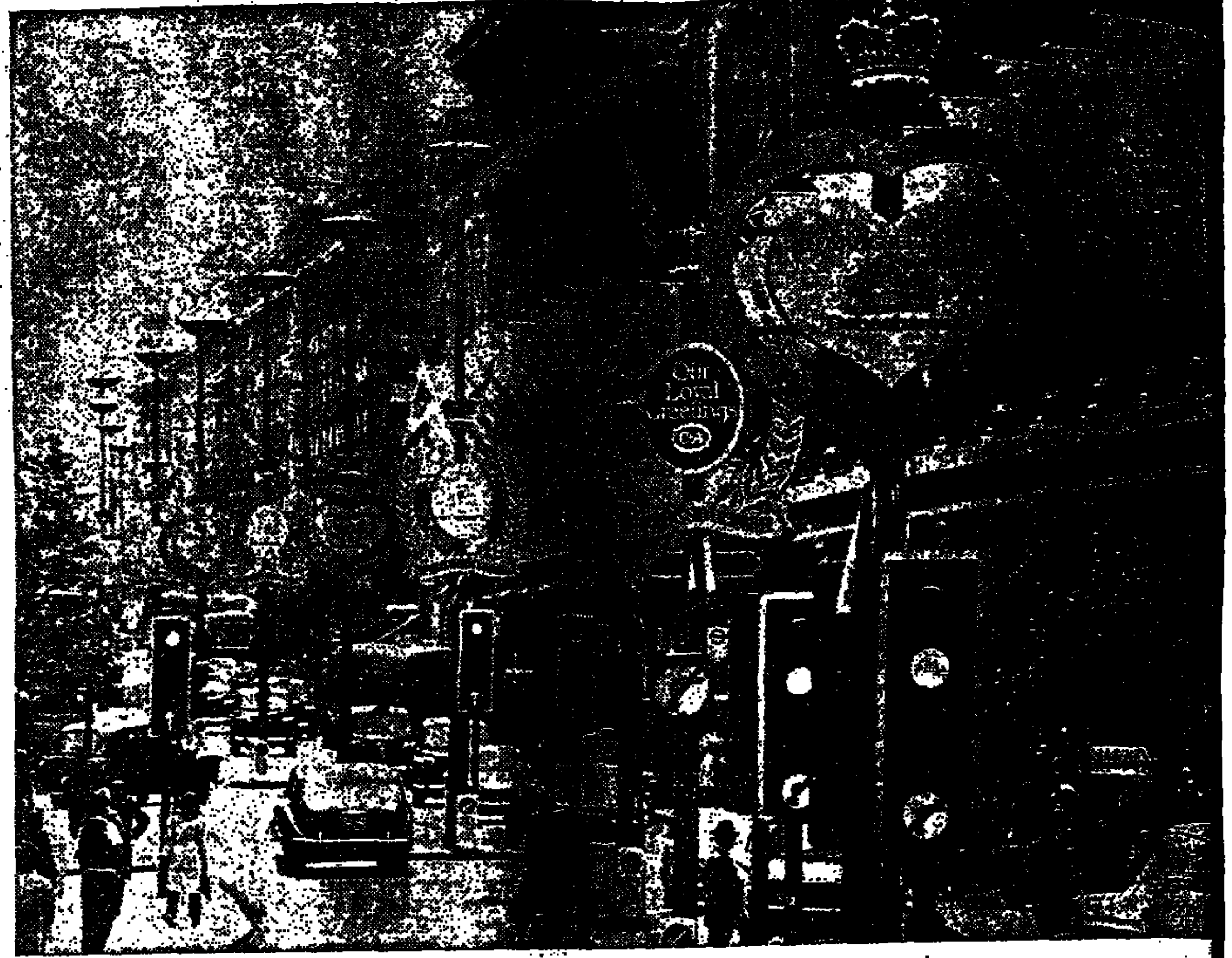
Who would be in control of the development? *The Department of Trade*—which is in theory the British Ministry of Tourism? *Or perhaps the* Ministry of the Environment, which would need to improve the *communications in the* area? Then there are the water authorities, the county council *and the other local authorities*, which would all insist on their rights in certain issues. Inter-departmental relationships in Whitehall alone have a bad enough image. If something on the scale of the French Acquitaine project were attempted in Britain it would surely founder.

This may be the price we pay for democracy, but it is also something that has to be borne in mind by protagonists for a Minister of Tourism who might simply find himself a Minister for the Promotion of Tourism quite incapable of carrying out the role of Minister for the Management of Tourism. A Government which cannot control the price of Coca Cola in Hyde Park is hardly equipped to engineer a tourism revolution.

The future of tourism in the U.K. is therefore likely to be one of reaction rather than action and of compromise rather than decision. This is not necessarily a bad thing, and it has certainly served the tourist industry as a whole well in recent years. The essential difference between the British tourist industry and some others *is that it has very little control* over its product, except perhaps in the most marginal of ways. *On the one occasion in* recent years that Government actually attempted an *intervention in the product as such*—with the Hotels Incentives Scheme—it felt that the scheme *had misfired. In fact, of course*, it was a spectacular success and without it many of those mil*lions of tourists now flocking* to the U.K. would have nowhere to rest their heads.

Otherwise, with the reorganisation of the BTA (once the British Travel Association and now the British Tourist Authority), and the setting up of regional tourist boards, moves have been largely exercises in marketing, and successful though they are they are only peripherally involved in tourism management. It might be argued, of course, that even the expenditure on this marketing is over-modest. The larger international hotel groups spend between 3 and 7 per cent. of revenue on marketing in its various forms. If this is translated into tourism in GB Ltd., *then we should be spending* something in the order of £60m. a year on selling. Such a budget for the BTA would rightly be considered ridiculously high. But to watch the tourist net being cast wider and wider, without keeping an eye on the sales investment for future growth would be commercially naive.

Arthur Sandles



Oxford Street decorated for Jubilee year. Local traders are expecting record sales.

Boat landings on the shores of Derwentwater in the Lake District.

Enter stage left: more National problems

BY ANTONY THORNCROFT

IS WEEK'S unofficial strike members of the National ociation of Television eatre and Kinema Employees, ch closed the National eatre and lost it £28,000 in enue, could not have urred at a worse time. For r a very difficult first year ts new South Bank home the ional Theatre seemed to be ring upon calmer waters, commercially and artistic.

is appropriate that the dis should have involved the k of a plumber since most he National Theatre's prob have centred around its dings. First there were the itectural criticisms of the n structure, with its three tres, its river terraces, rs, bars and restaurants. came the delays in com ng it during a period of ralleled inflation, which e a nonsense of all cost mates, and the insistence of National's director, Mr. r Hall, that the company ld move in and mount pro ions while it was still un hed. Both these factors precipitated a series of s which are probably not yet.

Manual power

eed, this week's industrial te could well be a flexing uscles by the militants in TKE in preparation for a r battle to come. For some sophisticated machinery e Olivier, the biggest and modern of the auditoria, ll not working. In par r, the cyclo-converters, are programmed by a uter to feed impulses to motors controlling the ving stage, are causing ulties. Every time the stage moves it is because of behind-the-scenes manual power—often operating at overtime rates.

This delay alone is costing the National an extra £30,000 a year on the wages bill. But when the teething troubles are finally sorted out, will the management dare dispense with any surplus stage hands? When the first theatre completed, the Lyttelton, opened for business in March, 1976 there was a good case for employing a company of well over 600, including 100 or so actors, because of the unfinished state of the buildings and the inevitable emergencies in running such a complex venture. Now the unions are unlikely to take kindly to any streamlining.

The first financial pressure which can be directly related to building delays was the opening of the 1,160-seat Olivier in October, 1976 rather than, as planned, in June. Those four months cost the National almost £600,000 in box office, catering and book shop receipts and were the biggest factor in the threatened deficit of £1m. in the first year. The rest of the loss could be attributed to a subsidy shortfall of £300,000, and a further £100,000 to the problems of working in an incomplete theatre.

In the event the National Theatre managed to reduce the deficit to £200,000, mainly because the Arts Council, reluctant to see its most heavily supported theatre get off to a bad start, contributed an extra £500,000 in aid late in 1976. Operating economies by the National itself and better than expected business saved another £300,000.

This year it has fewer excuses, and when the first financial forecasts for 1977-78 suggested a shortfall between income and expenditure of around £750,000, the National Theatre embarked on a programme of economies. The basic facts are that it costs around £6.6m. to operate the complex while earned income for this year is estimated at £3m. The gap is mainly, but not quite, bridged by subsidy—the Arts Council offering £2.5m. this year, and the Greater London Council £350,000.

In March Mr. Peter Hall called the entire company together and suggested changes which could save the £750,000. Many of the proposals were very minor—like getting £10,000 from raising the mailing list subscription and selling advertising on the list; others were more far-reaching and, in fact, changed the whole theatrical policy of the National.

The changes mainly involved presenting fewer productions—the Olivier mounting five new plays a year and one revival instead of seven and two, and the Lyttelton cutting back from four new productions to three while keeping two revivals. Since one production can cost almost £60,000 to mount (although this was the exceptional *Tamburlaine*), well over £100,000 could be saved in this way.

A related saving was the decision to reduce the repertoire changeovers to three a week at the Olivier and to one at the Lyttelton. This meant paying the stage crew less overtime for shifting scenery, and all told could reduce costs by almost £50,000. Originally it was hoped to cut the payroll by about 60; but in the event, the National avoided a row with the unions over this proposal in return for their co-operation in operating the theatres more efficiently.

By such hand to mouth expedients the National is attempting to balance the books but any unexpected event, like the unofficial strike, can throw the enterprise off-course. And while, on a year-to-year basis, income and expenditure can be roughly balanced, no provision is being made for future maintenance work. Ideally, according to Mr. Peter Stevens, the general administrator, £750,000 ought to be set aside each year for renovation. So the financial problems of the National will not go away.

But at least the management is now taking the offensive against its critics. It justifies getting half its income from subsidy by pointing to other national theatres in Europe which receive much more help. It has managed to attract 90 per cent. capacity audiences, as against its budgeted targets of 80 per cent. It is starting to exploit its productions and to seek industrial sponsorship.

Perhaps its main achievement has been collecting £700,000 in box office receipts from West End transfers (as against just over £1m. from its South Bank box offices).

Pickets (left) at the entrance to the National Theatre. Mr. Peter Hall (right) has carried the bulk of the company with him during a difficult period for the National.

Admittedly the plays involved, *No Mans Land*, *Equus* and *The Comedians*, were Old Vic successes but they are certainly helping the balance sheet. *Equus* is producing over £55,000 profit from the West End alone, with more coming from Broadway, and *No Mans Land* is contributing £65,000 so far. There are plans to film *No Mans Land* early next year, which will add a little more.

Exploiting film and television rights, and finding industrial sponsors, is the new task of Michael Birkett, who had been deputy director until he became a victim of a minor economy cut. Already Lucas has contributed a few thousand pounds to help the recent visit of its local Birmingham repertory theatre, and in August, when opera is presented at the National for the first time in the form of Glyndebourne's *Don Giovanni* (produced by Peter Hall) John Player is meeting some of the considerable cost.

One problem is that there will be fewer transfers in the future—with three theatres to occupy they will be hard to justify. Broadway is already after the National's greatest commercial success, *Bedroom Farce*, but this is likely to exhaust its run over a few years at the Lyttelton. At least the absence of transfers will reduce the carping criticism of the 4 per cent. royalty that Mr. Hall receives when plays he has produced for the National move to the West End, and on the deficit side of the National Theatre account must be placed the acrimony aroused by its director.

Mr. Hall towers above his associate producers, and potential rivals, like Mr. Jonathan Miller and Mr. Michael Blakemore, have left the National *after well-publicised disagreements*. As a consequence, the productions mounted over the past year sometimes seem to reflect one man's taste. While only three plays *Il Campiello*, *Force of Habit* and *Counting the Ways*, were disliked by the critics, many others failed to excite much acclaim. Only in the last few months with *Bedroom Farce* and *Volpone* has the National managed both critical and commercial success. While the National was failing to excite with its output, its rival, the Royal Shakespeare, managed a string of successes with *Wild Oats*, *Privates on Parade* and most recently, *Destiny*.

Now that the National has a hit with *Bedroom Farce*, it is criticised for taking the easy way out by mounting a commercial money-spinner when it should be putting on the major international classics.

Strong line

Its status as a national institution is both an asset and a liability—it virtually ensures Government financial support through the Arts Council but it enables the unions to take a strong line with some confidence. After 18 months in its new home it has probably done better commercially than might have been anticipated while still failing to develop a consistent artistically successful theatrical policy. It maintains the good will of actors—Sir John Gielgud and Paul Scofield are prepared to perform there for £500 a week—a modest reward for them—and audiences like the productions more than the critics.

It has obviously failed in some of its aims. It has not enlivened the South Bank at night, and economies have forced a shortening in the hours when *it is open during the day*. Its new experimental auditorium, the Cottesloe, is too large to work successfully as a "fringe theatre," although it has the advantage of providing work for under-employed actors in the company.

But in the last few months the overall picture had taken a turn for the better, and if peace can be maintained on the industrial front, the greater confidence and awareness of what can be done with the site could still enable the National Theatre to confound its critics.

Letters to the Editor

Procrastination record

From Professor Edward Stamp.

Sir,—It took courage for Mr. lay Davison to utter his criticisms of the accountprofession's failure to pro n adequate set of auditing ards (May 30). It is therepity that Mr. John Wake (June 1), the accountant s seen fit to respond to Mr. in such a complacent unconstructive fashion, ting to sweep all the problems under the rug.

In the Department of and Industry's inspectors' on London and County blished early last year it abundantly obvious that was an urgent need for the ting profession to produce f audit standards without delay. There is in fact at difficulty about such a set of standards. 30 years ago the an Institute far less serious crisis than the British profession it possible, starting from to produce a set of standards in less than adopted by bership of the American in September 1949. benefit of nearly 30 American experience uld suppose that the ould produce their own andards, in draft form at thin six months. ter well over 18 months en the "pre-exposure" which the chairman of ting practices committee autumn would be ready this year, has not ared. This is a remarkord of procrastination bears in mind Mr. ident exasperation with vison's attempts at self-

ly, as Mr. Davison ut, it is appalling that unting profession con fail to introduce an prohibition against holding shares in client written and spoken on on many occasions st six or seven years. me: one is almost in the apparent inability profession to put its order before it is too r mandarins in Whitedone enough damage country's economy nd it will be a sad day sh accountancy if it disaster of having control imposed upon this is its inevitable it does not pay heed to ngs of Mr. Davison. akeham would do his a service if he used ence to support Mr. nstead of encouraging onaries within the profession their delaying tactics. also bear in mind that, respect at least, his ould be in the public hich it is his duty as uphold.

al Centre For in Accounting, of Lancaster, ancaster.

g bank lay

R. Bradshaw.

ope that the present t, or its successor will, on restore the tradi Monday Bank Holi olish the nonsensical k holiday introduced th Government. a nation are very on close working s, both with the rket and other international markets. In these conditions it seems the height of absurdity to remain open on a day which is with a traditional holiday in this country and a religious festival which is celebrated in many countries overseas, and subsequently to lose a day's working at another date when everything shuts in this country while work proceeds as normal overseas. In effect it means that those who are dependent on good overseas relationships and easy contacts are losing two working days to the national detriment.

If the Government is unwilling to change the date of this holiday to the traditional Whit Monday, may I suggest that the Stock Exchange Council should close the Stock Exchange on Whit Monday and remain open when other countries are at work, in the hope that the business community at least will follow suit.

Richard Bradshaw.
Fifth Floor, Friars House, 39-41, New Broad Street, E.C.2.

Glass fibre and health

From the Managing Director, Scandinavian Glasfiber.

Sir,—It is apparently clear that the problems associated with asbestos are indeed caused by the size and structure of the fibres and this conclusion itself tends to acquit glass fibres of any similar ill-effects. Glass fibres break up horizontally whereas asbestos fibres divide longitudinally. Glass fibres of a type used in industry do not, therefore, become small enough to penetrate into the respiratory organs in the same way that asbestos fibres do.

There is an abundant amount of evidence to confirm this view and, in fact, experiments in which glass fibres were artificially injected into the pleural cavity of rats only produced ill-effects when the fibres themselves were considerably smaller than those normally encountered in industry.

The report (May 25, Page 33) of Dr. Jolliffe and Professor *Shellard's evidence to the advisory committee on asbestos* says that "as these substances have only been in widespread use approximately for the last decade, it is not surprising that little disease due to them has actually been reported." This is certainly not true. Glass fibres have been in use in the reinforced plastics industry for at least 25 years and were, in fact, a pre-war discovery.

All the major glass fibre manufacturers have done a considerable amount of work on the effects of glass fibre on industrial ill-health and I must wonder whether the authors of the report which you quoted had consulted any of these manufacturers.

J. M. Hughes.
The Banking Court, High Street, Bracknell, Berks.

The corpulent state.

From Dr. R. Cutler.

Sir,—The F.T. is fortunate in its contributors and not least in Dr. David Carrick whose subject matter and style matches that seen in other pages of the paper. His recent (May 30) contribution on obesity—the illustrations are always delightful—lacked one useful point as far as treatment is concerned, namely having trousers stylishly hip fitted, normal with a suit bought "off the peg," as any increase in girth is at once uncomfortably apparent, and the dearer the suit in the first place the greater incentive to keep it in commission.

The soothing pleasantries of the discreet bespoke tailor regarding an increase of girth and how this should be accommodated is the equivalent of the kiss of death if weight reduction is to be achieved, though getters-under-the-car, do-it-yourself addicts and coolie-type gardeners can be allowed a loose fitting pair, these usually being sufficiently dirty to prevent wearing in the house or on social occasions.

Currently ten stone, I admit to wearing a most comfortable suit made when I was 12 and a half stone, the marsupial outline of the trousers being such as to be considered in order by a kangaroo, though I do sense the potential dangers if my braces failed (hardly necessary with my later suits, or so I would infer) as no trouser buttons are ever present.

Robert Cutler.
19, Woodlands Road, Surbiton, Surrey.

Preparing the youngsters

From the President, British Women's Organisation for Rehabilitation through Training.

Sir,—I have studied with interest the report of the Manpower Services Commission and the excellent proposals which it contains in providing new opportunities for unemployed young people.

There are, however, only brief references in the report to the problem of those seeking employment to-day who lack the basic skills of reading, writing and arithmetic, and whose general attitude to work is unsatisfactory. In the national debate on education a great deal of blame has been put on the schools and the teachers for this inadequacy, but should we not consider that the reasons for this failure may not always be due to poor teaching, but due to unreceptive pupils. There are many young people of 14-16 years of age who find the academic work in schools boring, frustrating and irrelevant to their future working life.

I would suggest that the over-emphasis and high prestige which our society has given to academic achievement has introduced the false concept that all children benefit from academic schooling until the age of 16. I believe that any plans to overcome the problems of unemployment among young school-leavers should seriously consider the possibility of introducing vocational or technical training for some children into the school curriculum.

This has been successfully done for many years by an international organisation ORT (Organisation for Rehabilitation through Training) which runs technical and vocational schools for 14-18-year-olds in many parts of the world. (ORT was created nearly 100 years ago by a small group of Russian Jews, and now trains approximately 70,000 students a year.) Those schools from which we could perhaps learn most are the seven ORT schools in France, a country where unemployment among school-leavers is high. These schools teach a wide range of technical skills and provide many types of vocational training, and the pupils qualifying from them rapidly find employment. Their academic studies, which occupy about one-half of their school hours, are designed to be relevant to the future working life of the pupils and sufficiently broad to form young people with an ability to integrate well into jobs and into the society in which they live.

There have been no problems of illiteracy or innumeracy in the youngsters coming out of ORT schools anywhere in the world.

Anne Beloff-Chain.
(Reader in Biochemistry.)
Imperial College of Science and Technology, University of London, S.W.7.

Phone call charges

From the General Manager, Tubesales (U.K.).

Sir,—It is not uncommon these days to knock nationalised industries, sometimes, we feel, quite unjustifiably so. We wonder, however, if it is possible to extract a logical reply from the Post Office in the way it charges telephone calls at different rates during the day.

We are a totally telephone sales orientated company with the majority of our business coming from incoming calls and our daily order ratio per person varies very little, up or down, from that achieved by our American and European divisions.

What we do find is that, because of the cheaper telephone calls in the afternoon, our telephone sales desk personnel spend most of the morning twiddling their thumbs, while in the afternoon they do not have enough time between incoming calls to even think clearly, let alone concentrate on their proper job of selling. One side-effect is, with our same day despatch principle, that orders which could be processed regularly during the day are still being processed in the late afternoon and early evening.

Why is it that small businesses, which are trying hard to establish a reputation for quality and reliable service, have to suffer because of the incomprehensible way that the P.O. forces subscribers to cram their daily quota of calls into half the available time?

Colin J. Green.
West Bay Road, Southampton.

The merits of added value and efficiency

From the President of the Engineering Industries Association and Mr. J. Curry.

Sir,—The letter which you published on April 27 from Mr. J. Curry and me gave rise to a great deal of correspondence mostly from companies that are already using the added value concept as a management tool.

The letter you published on May 2 from Mr. Rutherford, however, is difficult for us to understand in that he is almost suggesting that what we aimed to achieve is exactly the opposite of what we intended and this is definitely not so. To clear some of his points that we do understand we would like to point out that if he had had the patience to read through to the last paragraph of our letter he would have seen that we gave an exact definition of added value. It is the sum of wage costs including social service and pension charges, rent of premises and hire of equipment, interest on borrowed capital, local rates paid on the industrial premises, corporation tax, net profit after tax and depreciation charges. This is the definition of added value used in Japan and the U.S.A. and is also used in Germany except that in that country depreciation is regarded as a bought in item. As German companies however, invariably give the actual depreciation charge separately it is easy to reconcile their figures with ours. We hope that this definition will answer Mr. Rutherford's "begging for the moment what is meant by added value" point.

As far as efficiency is concerned, which Mr. Rutherford raises in his second paragraph, there is no question that some workers work more efficiently than others as the added value figures clearly show. For example, a study of the annual reports will show that the average British Leyland employee in the United Kingdom added £3,178 to the value of his materials while his wage costs were £3,220; his counterpart in Rolls-Royce Motors added £5,175 to the value of his materials and his wage costs were £3,766. We believe this to be due to the fact that over the years the British Leyland employee has taken out too much of the added value in wage costs and consequently has left too little money over in the company to cover the true depreciation costs let alone costs of innovation, whereas in Rolls-Royce Motors a much better balance has been obtained—to the benefit of employees, shareholders and the Government.

If one goes to the extreme and analyses one of our best managed companies like ICI one finds that with a wage policy of near 50 per cent. of the added value the employees are now about £1,000 net better off per annum than the British Leyland employee. The tax penalty for this efficiency is very high, amounting to almost £3,700 per employee and it may interest Mr. Rutherford to know that the total contribution from the 125,000 ICI employees to the Exchequer here comes to well over £400m. a year or more than enough to cover the net cost of higher education, including presumably Mr. Rutherford's salary. It would need about four British Leyland companies to make such a contribution!

Coming now to historic cost and inflation we would like to make the point that added value can only go to the employees, the Government, the financiers or to the management for retention in the business and as added value is calculated in the currency of the day each recipient is paid in the currency of the day, whatever the rate of inflation has been.

Finally, in reply to the letter of May 6 from Mr. Jones of Charterhouse may we simply say that although there would be *nothing to prevent a management from paying* out retained profits accruing from wage restraint in dividends, it would be very unwise to do so.

F. E. Jones.
Equitable House, Lyon Road, Harrow, Middx.
J. A. H. Curry.
New Place, The Ridges, Finchampstead, Berks.

Post office services

From Mr. A. Scott.

Sir,—It would appear to be impossible for the Post Office to segregate and retard second class mail relative to first class mail without employing delayers—whether human or mechanical. Perhaps Mr. Young (June 1) can explain this miracle which he claims by inference though not explicit statement.

The Post Office must take considerable pride in this great British achievement of inventing second class mail which appears to cost more to operate with extra sorting, delaying and storing, etc., and yet which is charged less to the public than first class mail.

Let us not forget, too, that before the war, ordinary mail, often from considerable distances, was commonly delivered on the day of posting.

A. D. Scott.
Wood End, Stanley Avenue, Bebington, Wirral, Merseyside.

To-day's Events

GENERAL

Prince of Wales receives Freedom of Montgomery and later opens Natural Gas Tubes' welded steel tube plant at Tafarnaubach.

National and regional officers of Electrical and Plumbing Trades Union address mass meeting of electricians on unofficial strike from BCS's Port Talbot works.

Mr. Malcolm Fraser, Australian Prime Minister, speaks at Royal Commonwealth Society lunch.

Paris Air Show, Le Bourget airfield (until June 12).

Mr. Peter Drucker, a U.S. authority on management, addresses BIM conference on Personal Effectiveness of Managers To-day, *London Hilton, W.1.*

National Association of Teachers in Further and Higher Education conference opens, Harrogate.

Football Association annual meeting, London.

COMPANY MEETINGS

Aberthaw and Bristol Channel Portland Cement, Cardiff, 12.30. Airspring, Trowbridge, Wilts., 3. England (J. E.), Telford, 2.30. Evered, Birmingham, 12. Garnar Scotblair, The Grange, Bermondsey, S.E., 2.30. Morris Blakey Wallpapers, 10, Belgrave Square, S.W., 12. Richards Wallington, Birmingham, 12. Tate of Leeds, Leeds, 3. Watts Blake Bearne, Moretonhampstead, Devon, 12.

MUSIC

London Sinfonietta give Silver Jubilee Concert, including new work by Sir William Walton, Queen Elizabeth Hall, S.E.1, 7.45 p.m.

COMPANY NEWS + COMMENT

Morgan Crucible up to £3.1m. first quarter

Announcing first quarter 1977 pre-tax profit up from £1.3m. to £3.12m., Mr. I. W. Smith, chairman of Morgan Crucible Co., reports that markets remain good in the U.S. and South East Asia, strengthening in the U.K. and Japan, but still weak in Continental Europe, Australia and Canada.

The company continues to find new opportunities for its products in most geographical and technological areas, particularly energy conservation, he adds.

Third party sales for the period advanced from £17.29m. to £22.35m. Earnings are shown to be 3.6p (1.3p).

Both sales and profits include worldwide sales of the products of each division.

Profits are reported on the basis that the valuation of stock and work in progress includes the relevant proportion of applicable overheads with corresponding adjustments to the comparative figures for 1976. The effect is to increase profit before tax by £156,000. The corresponding adjustments to the comparative figures for 1976 are £36,000 for the three months and £438,000 for the year.

Sales to third parties overseas are 57 per cent. of total sales compared with 57 per cent. for the corresponding period last year and 59 per cent. for the year 1976.

For the full year 1976 pre-tax profit was £9.98m. and turnover £78.95m. Stated earnings were 11.5p per share.

	Three months 1977 £000	1976 £000
Sales	22,345	17,290
Carbon	6,574	6,934
Thermic	9,315	6,911
Acorn	5,384	2,677
Other products	772	768
Trading profit	3,390	1,558
Carbon	1,853	574
Thermic	1,171	577
Acorn	409	311
Other products loss	8	38
Holding company	47	206
Finance charges	474	477
Profit before tax	3,122	1,499
Taxation	1,603	706
Net profit	1,519	793
Minorities and pref.	46	51
Attributable Ordinary	1,473	692
Extraordinary debits	9	—

* Profit. † Less grants for capital expenditure. Comprises U.S. corporation tax reduced by relief for overseas taxes £1,381 (£635), overseas taxes £121 (£71). Less grants for capital expenditure applicable to the depreciation provision 168 (174).

● comment

Morgan Crucible continues to race away in the current year, with first quarter profits more than doubled pre-tax on a 30 per cent. gain in sales. The group now appears to be benefiting from a combination of cost saving resulting from the large re-equipment programme of the past few years (including the seven-year move of the carbon division from Battersea to South Wales) plus a recovery in U.K. demand which is still climbing back from the 1975 depression. Considering that the major overseas recovery in demand is still to come, the group's medium-term outlook is bright. In the current year profits could reach £13m., which would cover a maximum yield of 7.6 per cent., at 105p, 2.9 times, and, given the strength of the recently published balance-sheet which showed little short-term debt, the shares look fairly attractive.

INDEX TO COMPANY HIGHLIGHTS

Pleasurama better at halftime

REFLECTING both an improvement in the level of business and a gradual move away from dependence on seasonal activities Pleasurama reports taxable profits up by £0.12m. to £0.35m. in the half year ended March 31, 1977. Turnover was up from £2.35m. to £3.35m.

As the majority of the company's profit is still earned during the summer Lord Harmar-Nicholls, chairman, says it is too early for him to give a firm forecast for the current year. However he reports that trading to date indicates a higher level of full-time profit.

The net interim dividend is raised to 0.75p (0.67p) per 5p share. Last year payments, totalling 1.615p, were paid from profit of £0.97m.

	Half-year 1976-77 £000	1975-76 £000	Year 1975-76 £000
Turnover	3,345	2,347	5,894
Trading profit	336	198	570
Share associate	12	34	96
Pre-tax profit	348	233	966
Tax	181	118	511
Net profit	167	115	455
Minorities	1	2	38
Attributable	166	113	417
Interim dividend	49	42	.115

As already known a favourable judgment was given in respect of the company's legal action regarding its 25 per cent. shareholding in Mayfair Casinos, currently shown at a net book value of about £0.2m.

The defendants are required to purchase the company's holdings for some £1.16m. and pay costs but the chairman points out that they may decide to appeal.

● comment

The present squeeze on consumer spending has apparently not yet hit the provincial casino business, and Pleasurama's interim profits bear this out with a 49 per cent. rise in the pre-tax level. Gaming Board statistics show that attendances at provincial casinos during 1976 rose by 16 per cent. and Pleasurama reckons that it did even better than this in its 1976-77 first half. The group is currently negotiating for a further two more casinos in the North of England but these will not come into profits until around 18 months hence. Even so, given a reasonable summer at its coastal amusement parks, the group should achieve enough growth in its existing operation to lift full-year profits to £1.2m. pre-tax. That would cover a maximum dividend yielding 6.8 per cent. at 46p, 4½ times and allowing that the balance sheet, which last year showed a net worth of £2.6m., could soon be boosted by the £1.2m. proceeds of the court case settlement, the shares may soon be in line for some upward movement.

Upsurge for J .O. Walker

REFLECTING a sharp jump from £164,720 to £494,700 in second half profits, before tax, J. O. Walker finished 1976 with a record £671,700, compared with £345,720.

Turnover showed an increase from £5.65m. to £7.63m. Providing for tax of £346,411 against £185,630, the net balance emerges at £325,289 compared with £160,070, giving earnings per 25p share of 40.7p (20.0p).

The dividend total is raised by the maximum permitted—from 3.201p to 3.451p net with a final of 2.476p.

The group's business mainly comprises importation, merchanting and distribution of timber, plywood, hardboard and wallboard, and the operation of saw mills and plaining mills.

Sangers best ever £2.44m.

AFTER RISING from £855,000 to £1.22m. in the first half, pre-tax profits of wholesale chemists Sangers Group finished the year to February 28, 1977, ahead from £1.88m. to a record £2.44m.

Earnings are shown at 13.31p (10.83p) per 25p share and as promised the dividend is raised from 5.28p to the maximum permitted 5.8p net with a final of 4p.

	1976-77 £000	1975-76 £000
Turnover	86,503	65,158
Profit before tax	2,440	1,880
Taxation	1,295	1,043
Net profit	1,145	837
Preference dividend	27	27
Minority interests	1	4
Interim Ordinary	152	134
Proposed final	342	308
Retained	623	364

The increase in group sales of 24 per cent. reflects a significant real growth excluding inflation, say the directors.

The group has continued its diversification into optics, although this is not materially represented in the results.

Subject to the usual qualifications concerning the economy, rates of tax and inflation, the directors are confident that the group is well placed to maintain progress.

● comment

After a 42 per cent. profits rise in the first half, Sangers has produced a disappointing 19 per cent. advance in the second half. This is put down to the absence of mass sicknesses like flu epidemics last winter which affected demand for some pharmaceutical products. The overall gain of 30 per cent. includes a strong element of stock profits and the annual report will show a large dose of deferred tax. Most of the 24 per cent. sales gain was made on price increases, for volume gains were of the order of 5 per cent. Sangers has not yet divulged details of its diversification into retail optics and this new division is apparently expanding fast. But a profits contribution is only expected from 1978 onwards. At 96p the yield of 9.7 per cent. and p/e of 6.9 do not leave much room for excitement.

ISSUE NEWS AND COMMENT

TKM £2.6m. rights: reducing gearing

Tozer Kemsley and Millbourne (Holdings) is proposing to raise £2.6m. by a rights issue and is putting forward new terms to entice the convertible stockholders to swop into the Ordinary shares.

The rights issue of 7.87m. Ordinary 20p shares is offered to Ordinary and convertible holders in the proportion of one-for-five at 35p or 30.769 shares for every £100 nominal of loan stock.

It is intended to raise the dividends in the current year by 25 per cent. to 4.69p gross per share. Treasury consent has been obtained.

The rights issue has been underwritten by Lazard Brothers and brokers are de Zoete and Bevan. An EGM is called for June 22.

Proceeds will be employed for the general purposes of the business.

The improved terms offered to convertible holders are 213 Ordinary shares for every £100 of stock against the existing conversion rate of 133 Ordinary shares for every £100 of stock. Based on a middle market quote of £85 per cent. for the stock those holders electing to convert would receive a 13.6 per cent. increase on capital value, and a 24.7 per cent. increase in income.

The balance-sheet as at last December shows total borrowings of £98.1m. and shareholders' funds ex-goodwill of £12.7m. Assuming full conversion and after the rights, borrowings would be £88.2m. against shareholders' funds of £22.6m.

Barclays Bank International currently holds 24.5 per cent. of TKM. BBI now feels that increasing pressure is likely to be put on it overseas to reduce substantial local minority investments in non-banking companies such as TKM. In these circumstances BBI feels that the present proposals provide an occasion for it to reduce its proportionate holding in TKM by not taking up its rights entitlement. Accordingly these shares have been placed. BBI has no intention of selling any of its existing shares in TKM.

● comment

For the second time this week a company is coming forward with proposals for a rights issue and a conversion of its loan stock in what amounts to a degearing operation. Shareholders are sweetened by a substantial dividend hike by Tozer Kemsley for a prospective ex-rights yield of 10.6 per cent. at 46p. In relation to TKM's overall trading the rights proceeds of £2.6m. are almost irrelevant, but assuming full conversion of the loan stock the ratio of borrowing to shareholders' funds drops from 7.7:1 to 3.9:1, and that is the point of the exercise. Barclays is not taking up its rights because of pending legislation overseas (in particular Canada) concerning the bank's stakes in other financial companies. If all the convertible shareholders swop into equity BBI's stake will drop from 25 per cent. to 14 per cent. Though this is a straightforward move, and does not affect the two companies' trading links, it may unease some small shareholders (they hold 22½ per cent. of the Ordinary capital and 30 per cent. of the loan stock) yet it is an acceptable package.

Martin raises £1.25m.

Martin The Newsagent is aiming to raise £1.25m. by a one-for-five rights issue at 122p per share. The directors are also forecasting a 51 per cent. increase in the dividend for the current year, and are releasing interim figures showing a 39 per cent. rise in pre-tax profits.

The rights issue, which is underwritten by J. Henry Schroder Wagg, is also offered to convertible holders on the basis of 34.312 shares for every £100 nominal of stock.

The new Ordinary shares will not carry the right to the interim dividend now declared of 2.189p. Interim pre-tax profits are up from £1.15m. to £1.6m. on a sales advance of 18 per cent. to £22.84m. Net profit after tax is increased from £552,000 to £768,000 and earnings per share are 14.4p (10.4p).

During the last financial year the number of branches increased from 411 to 429. The chairman has already indicated that £2m. would be spent this year on new openings and redevelopment and a £1m. medium term loan was negotiated with Martin's bankers to assist in financing this expansion. Since the beginning of October Martin has purchased 21 established conventional newsagents, opened nine new sites and sold 11 giving a net increase of 19 outlets. During the rest of the year it expects to purchase six, open three and sell five. The Board wishes to accelerate its expansion particularly by the purchase of existing shops.

On current trading sales for the seven weeks to May 22 show a 16 per cent. increase on last year. The group remains optimistic and intends to pay dividends with the gross equivalent of 10p per share, a 51 per cent. increase. Treasury consent has been obtained.

Dealings start June 8. Brokers are W. Greenwell.

● comment

It is surprising on the face of it that Martin is going for a rights issue to finance new store purchases. Last year cash flow amounted to £1½m. and even assuming that remains static in 1977, the addition of a £½m. term loan will cover the forecast £2m. expenditure. There are no obvious borrowing strains, the net interest charge in the first six months was only £30,000. But Martin wants to accelerate its expansion and its reluctance to increase borrowings is understandable. Last October loans were only £600,000 against shareholders' funds of £5.6m. but this is before deducting £3.1m. of trade value (goodwill), and there is a large element of "gearing" in its asset set-up, with leasehold properties amounting to £1.7m. against freehold properties of just over £1m. One point of interest is that its development now seems to be concentrating on established secondary sites rather than the large High Street shops that it has favoured in recent years. This reflects the lack of new shopping development areas, and it will mean less of a drag on future profits from new openings. The prospective ex-rights yield at 158p is 6.6 per cent.—highest in the sector.

Enkalon seeks £2.5m. from parent

PROPOSALS ARE announced by British Enkalon to raise £2.5m. by way of a rights issue of 10m. new 25p Ordinary shares at 25p each to Akzo which already holds 61.7 per cent. of the Enkalon equity. Following the allotment of new shares Akzo's holding will go up to 71.7 per cent.

Mr. J. Martin Ritchie, the Enkalon chairman, explains that in normal circumstances a rights issue to all holders would be offered but this is not practical in view of the discount of the Ordinary share market price and the company's present trading position.

Group borrowings stood at £19.2m. at December 31 compared to shareholders funds of £12.58m. The ratio is not expected to improve in 1977 although it is hoped that it will improve in subsequent years. The net proceeds of the issue are to be applied in the reduction of short-term borrowings.

In view of the trading outlook for the group in the foreseeable future and the need to conserve funds the directors do not expect to recommend a dividend for 1977 or for the following year.

The proposals are conditional upon the approval of Ordinary holders (other than Akzo) to an increase in the authorised capital and to the arrangements for the issue of the new Ordinary shares to Akzo.

See Lex

B. S. & W. Whiteley

Following a rally at half year from a depressed pre-tax profit of £8,737 to £100,378, B. S. and W. Whiteley ended the year to March 31, 1977 with £283,484, compared with a loss of £77,568. Sales were up £1.37m. at £6.08m.

Earnings per 25p share were 2.362p (0.034p) and the dividend is 0.5p (same).

The directors say that the basis of valuing stocks has been changed to conform with a new statement of standard accounting practice with the result that the restated comparative figures show an improvement of £83,286.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year
Atkins Bros.	2.41	—	2.13	3.29
Buckley's Brew.	1.13	—	0.7	1.63
Carr's Milling int.	0.88	July 1	0.8	—
Culter Guard Bridge	1	—	Nil	1
Dartmouth Invs.	0.37	—	0.36	0.72
Doranakande Rbr.	0.83	—	0.75	1.65
Edinburgh Industrial int.	0.1	—	Nil	—
Grand Metropolitan int.	1.66	Oct. 24	1.4	—
Hall Brothers int.	Nil	—	1.75	—
Hay's Wharf int.	1.42	July 29	1.29	—
Hickson and Welch int.	3.63	Aug. 31	3.3	—
Laughton and Sons	2	—	2	10
Minster Assets	1.73	July 13	1.43	3.23
Pleasurama int.	0.75	Oct. 1	0.67	—
Plysu	0.73	July 22	0.68	1.24
Saatchi and Saatchi int.	2.03	Oct. 7	1.0	—
Sangers Group	4	Oct. 3	3.68	5.8
Sentrust	18	Aug. 19	18	28
J. Smart int.	0.99	June 27	0.9	—
U.S. Debenture int.	1.13	—	0.7	—
J. O. Walker	2.48	Aug. 26	2.23	3.45
B. S. & W. Whiteley	0.5	—	Nil	0.5
Young Brewery	1.497	—	1.39	2.89

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Forecast. § 2.58875p (2.51704p). § To reduce disparity. ¶ 1.4452p to be paid in July and 0.0445p following passing of Finance Act, 1977. || South African cents throughout.

Hickson & Welch £1.88m. ahead

CHEMICALS MANUFACTURERS, Hickson and Welch (Holdings), reports an increase in taxable profits for the half year to March 31, 1977 from £3.01m. to £4.89m. on turnover up by £7.1m. to £32.33m.

Earnings per 50p share are shown at 37.5p against 22.96p and an interim dividend of 3.63p is announced, compared with 3.3p. Total for 1975-76 was 9.2904p paid from record profits of £7.87m.

	Six months 1976-77 £000	1975-76 £000
Turnover	32,330	25,148
Operating profit	4,786	3,168
Interest payable	250	[illegible]
Investment etc.	29	[illegible]
Associated companies	[illegible]	[illegible]
Profit before taxation	4,885	3,008
Taxation	2,462	1,333
Net profit	2,423	1,675
Minorities	[illegible]	[illegible]
Preference dividend	[illegible]	[illegible]
Earnings	2,412	1,460
Ordinary dividend	258	[illegible]
To reserves	2,154	[illegible]

† Loss.

● comment

After last year's 70 per cent. profits growth (90 per cent. in the second half) Hickson and Welch has produced a 62 per cent. growth on a 28 per cent. sales advance. But this glamorous growth is likely to come to an end for the time being. Last year's second half was boosted by substantial currency gains that are unlikely to be repeated, given sterling's recent stability. The offtake in chemicals in the U.K. and Germany appears to be losing steam, leaving the U.S. as the major growth market. The group is currently producing at maximum output and even its £6.6m. expenditure programme will only add about 2 per cent. to productive capacity. But the shares could still get a boost if dividend restraints are lifted, for the maximum yield is a mere 3.1 per cent. On profits of, say, £10m. for the year (implying growth of only 5 per cent. against last year's super second half) the shares would be covered no less than 12 times. At 513p (up 12p yesterday) the prospective p/e is 6.9.

Carr's to exceed £0.74m.

SALES for the 27 weeks to March 5, 1977, at Carr's Milling Industries came to £17.9m. compared with £7.46m. for the first 26 weeks of 1975-76 while profits were slightly from £335,000 to £378,000 before tax of £195,000 (£300,000).

The directors state that, overall the picture for the second half is encouraging. The major sections of the business are trading satisfactorily and they consider that pre-tax profits for the year should comfortably exceed the record £743,058 achieved in 1975-76.

The interim dividend is lifted from 0.8p to 0.88p net per 25p share. Last year's final payment was 1.55p.

The talks with West Cumberland Farmers have now been concluded. It has been decided that the agreement under which Carr's manufactures BOCM Silcock compounds will be replaced by an expanded contract arrangement under which Carr's will manufacture both BOCM Silcock compounds and bulk feed to be sold under West Cumberland Farmers own label.

The increase in tonnage to be manufactured under this arrangement from September of this year will be of benefit to the group, say the directors.

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Forties boosts BP to £606m. in first quarter

LARGELY REFLECTING the continuing build up of oil production from the Forties field and an estimated £25m. in respect of stock appreciation first-quarter pre-tax profits of British Petroleum accelerated from £371.9m. to £606.5m. in the first quarter of 1977.

Production from the Forties field averaged 378,000 barrels per day in the first quarter; while in the second three months production had to be cut back while a riser was replaced on one of the platforms. As a result production in this second period is expected to total 400,000 barrels per day.

Thereafter production is expected to rise in the third and fourth quarters to reach the field maximum of 500,000 barrels per day by the end of the current year.

The appreciation of stock values follows the rise in the cost of crude oil from the OPEC countries from January 1, 1977. Appreciation will be considerably less in the second quarter.

In contrast with the first quarter when product sales were met mainly from stocks, income will be adversely affected by the failure to recover from the market the full OPEC cost increases. BP in particular is badly hit compared with other international major oil companies because some 90 per cent. of its OPEC liftings of crude come from 10 per cent. price rise countries and only about 10 per cent. from 5 per cent. price rise countries.

Net income before extraordinary items for the first quarter amounted to £90.5m. which compares with £55.9m. in the last quarter of 1976 and with £30.2m. in the first quarter of that year. Net income per Ordinary unit was up from 5.3p to 23.4p.

Compared with the first quarter 1976 total sales have increased 0.3m. tonnes to 43.7m. tonnes. Within this, sales of crude were down by 6.2 per cent. from 19.5m. tonnes to 18.3m. tonnes, while sales of products and chemicals rose by 6.3 per cent. from 23.9m. tonnes to 25.4m. tonnes. Natural gas sales were up from 10.5m. to [illegible]m. cubic metres per day.

For the year 1976 group pre-tax income totalled £1.78bn. and net income before extraordinary items £179.8m. The results of the first quarter products sales, including chemicals reflect increased U.K. business and a selective upturn in Europe.

Distribution, selling and administrative expenses fell slightly from the fourth quarter reflecting reduced shipments of crude.

	First quarter 1977 £m.	1976 £m
Sales proceeds	3,610.4	2,795.3
Customs duties & taxes	616.0	457.9
Net sales proceeds	2,994.4	2,337.6
Other income	59.2	40.7
Making	3,053.6	2,378.3
Cost of oil, etc.	2,088.4	1,734.9
Distribution, selling expenses, etc	249.1	188.5
Depreciation, etc.	66.3	49.2
Interest and financing	47.3	35.8
Income before tax	606.5	371.9
Overseas tax	344.3	341.8
U.K. taxation	*168.6	8.0
Net income	93.4	22.1
Minorities	2.9	1.9
Net income	†90.5	20.2

* Comprises corporation tax at 52 per cent. (includes £55.0m in respect of deferred taxation £112m., less overseas tax relief £29m., petroleum revenue tax £55.6m. † Before extra-ordinary items.

See Lex

BP said it planned to transfer at least £80m. provided before the end of 1976 for U.K. deferred tax to group reserves because of new proposals from the U.K. Accounting Standards Committee.

If the treatment of deferred tax recommended by the Committee had been adopted in the first quarter the U.K. tax charge would have been reduced by some £26m.

The amount of deferred tax for the full year cannot be estimated at present but most of the first quarter figure is attributable to tax on stock appreciation.

The company has made payments to an overseas country in respect of a claim for capital gains tax caused by group reorganisation in the U.K. in 1972.

Further discussions on the claim are proceeding and there could be a maximum charge of £57m. after existing provisions.

A B.P. spokesman said that the company cannot name the country claiming capital gains tax because of a fear of prejudicing its case.

The spokesman said increased first quarter products sales, ... quarter compares in the table.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Nottingham Brick.

Finals—Brent Walker, Cherchbury Estates, Dominion and General Trust, Dorrington Investment, George Ewer, Hunting Gibson, S. Laboff (Fobel), London and Associated Investment Trust, Old Swan Hotel (Harrogate), Polly Peck, Provincial Laundries, Western Bros., Whitmalls Walker and Atkinson.

FUTURE DATES

Interims—

Beales	June 14
Record Ridgway	June 14

Finals—

Alida Packaging	June 9
Alpine Soft Drinks	June 14
Crosby Spring Interiors	June 16
Latham (James)	July 11
Lloyd (F. H.)	June 22
Property and Reversionary Inv.	June 13
Tanganyika Concessions	June 10
View Forth Investment Trust	June 9
Wanstord Investments	June 8
Woodhead (Jonas)	June 17

J. Smart to top £1.69m.

FOR THE year ending July 31, 1977, taxable profit of not less than a record £1,690,000, against £1,443,176, is estimated for J. Smart and Company (Contractors), say the directors.

A net interim dividend of 0.99p (0.9p) per 10p share has been declared and they propose, subject only to unforeseen circumstances, to pay a final of 2.586875p for a maximum permitted total of 3.576875p (3.251704p): Members holding 50 per cent. of shares have waived their rights to the interim.

The directors say that the company has had another successful year although turnover is down. The forecast fulltime figures would be made up of trading profit of £1,685,000 (£1,579,714) and profit on sale of investments, etc., of £5,000 (loss £136,538).

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Grand Met. 30% ahead midway

ON EXTERNAL sales up from £871.38m. to £759.63m., pre-tax profits of Grand Metropolitan advanced by 30 per cent. to £27.16m. for the half year to March 31.

Provided no new burdens are placed on the group by political or other external forces, Mr. Maxwell Joseph, the chairman, feels sure that the progress made since 1974 will continue. The beginnings of a return of confidence in the national economy, the group's strong cash flow and the prospect of further progress justify a controlled development of the capital investment programme he adds.

In order to reduce the disparity with the final the interim dividend is increased to 1.8p per 50p share (1.4p). Assuming Parliament approves the reduction in ACT to 33-67ths, the dividend will carry a tax credit of some 0.76p per share (0.75p). The cost of the interim will amount to £4.85m. (£4.22m.) and ACT £2.39m. (£2.27m.).

On the basis of current profit estimates the directors would expect to recommend a final dividend providing the maximum increase in the year's total is permitted. Last year's total was 3.8027p and pre-tax profits were £57.08m. on sales of £1.47bn.

	Half-year 1976-77 £000	1975-76 £000
External sales	759,626	671,382
Hotels, etc.	194,522	139,986
Milk and food	174,123	182,775
Brewing, etc.	158,463	134,380
Wines and spirits	156,757	136,543
Betting and gaming	75,821	77,690
Trading profit	53,342	45,068
Hotels, etc.	16,160	12,777
Milk and food	6,052	5,563
Brewing, etc.	15,327	13,536
Wines and spirits	11,582	9,204
Betting and gaming	4,331	3,948
Share associates	1,660	912
Loan stock interest	6,115	6,190
Other interest	21,738	18,969
Profit before tax	27,160	20,802
Tax	14,125	10,500
Net profit	13,035	10,302
Minorities	33	233
Preference dividends	240	240
Attributable Ordinary	12,762	9,829

Following the reorganisation of the brewing interests on to a regional basis, the analysis of external sales and trading profit has been amended to include tenanted public houses under brewing and distribution. Managed public houses remain under catering. The comparative figures have been adjusted to conform with the new pattern of analysis.

The tax charge includes overseas taxation of £988,000 (£1.2m.) and deferred tax.

It is estimated that profits on sales of properties and other extraordinary credits for the half year will exceed extraordinary charges (including exchange differences) by about £1m.

Mr. Joseph reports that hotels and exports of whisky have benefited from the weakness of sterling and the industrial catering activities both at home and overseas achieved particularly good results.

The milk and food companies on the other hand have been held back by major increases in selling prices beyond their control and the betting shops have suffered from bad weather and cancelled race meetings.

Interest charges are somewhat higher because of the exceptional level of interest rates and the effect of sterling devaluation on interest paid in foreign currency.

See Lex

Laughton climbs to £1.04m.

AFTER BEING down at halfway from £202,000 to £185,000, the taxable profit for Laughton and Sons climbed to a record £1,043,435 against £858,254 for 1976. Sales were better by £1.18m. at £9.44m.

The net final dividend is held at 2p per 10p share for a total of 10p (9.5p).

Tax took £503,887, (£433,686) leaving a net balance of £539,548 (£424,568).

The company manufactures compacts, handbag accessories, desk aids, men's jewellery, domestic plastics and ladies hair care products.

Loss by Imry Property

After taking into account profits from associated companies of £18,000 against £13,000 Imry Property Holdings incurred a loss of £55,000 in the half year to September 30, 1976, compared with profits of £248,000.

After tax of £117,000 (£139,000) and an extraordinary debit of £200,000 (nil) the loss is £372,000 (£109,000 profit).

The Board states that the second half should show a small profit before tax but because of the unrelieved tax on overseas borrowings there will be a loss after tax. For all 1975-76 there was a pre-tax profit of £279,937 and a single dividend of 0.5p net per 25p share.

Hay's Wharf over £1m. so far

TURNOVER increased by 37 per cent. from £19.2m. to £26.4m., proprietors of Hay's Wharf nearly doubled its pre-tax profits for the six months to March 31, from £0.57 to £1.12m. compared with a depressed £0.58m., despite the fact that increased losses were incurred by the vegetable freezing and marketing subsidiary at Bourne.

The directors say that, as forecast, the improvement in trading, noted at the end of last year, has continued into the current year.

Due to the shortage of raw materials for freezing, part of the factory at Bourne had to be closed down during the winter months, but the results should, however, improve in the second half when the new vegetable growing season starts.

The net interim dividend per £1 unit of 1.422p (1.283p) is announced; increased by the maximum allowed. Last year's final was 4.43p paid from profits of £1.99m.

Good progress was made in the company's programme of disposals and reinvestment, the directors say. Five provincial cold stores were sold in January for £2.37m. Since the end of the half-year, a useful profit was realised on the sale of a 30 per cent. investment holding in Tees Storage Co. the proceeds of which amounted to £2.4m. against a book value of the investment of £500,000. Further sales of low yielding assets, amounting to some £0.5m. were agreed and negotiations are now in an advanced stage, they add, for the sale of about 1.5 acres of development land west of London Bridge.

	Six months 1976-77 £000	1975-76 £000	Year 1975-76 £000
...r	26,400	19,200	40,400
... profit	3,198	2,402	5,701
...ation	978	614	1,745
...paid	1,226	[illegible]	2,002
...companies	128	56	147
...interest	41	32	63
...before tax	1,126	582	1,964
...	366	148	475
...	760	434	1,508
...interests	10	1	5
...	750	434	1,503
...	279	988	831

...rational interest and other ...s to new trading projects.

...company should benefit in future from a lower level of ...t charges arising from disposals and from the lower level of current interest rates, the directors state. All the divisions of the company, apart from the freezing operations, are contributing to the improved profits and the programme of planned disposals of low yielding assets is making good progress. The directors look forward to a period of sustained profits growth.

Aberdeen Construction confident

MR. W. TINCH, chairman of Aberdeen Construction Group says in his annual statement that he is confident that within the group there are the resources to ensure that it obtains the necessary share of available work.

The challenges of trading under present market conditions will, he says, again be met and successfully overcome in 1977.

As reported on May 6 pre-tax profit for 1976 was a record £4.55m. against £3.8m. The dividend is lifted from 3.75p to 4.195p net per 25p share, the maximum permitted.

Mr. Tinch adds that all subsidiaries operated profitably during 1976, and the absence of fixed price contracts contributed materially to the very substantial and excellent results from subsidiaries operating in the building division.

There was a further reduction on bank borrowing to finance company operations achieved during 1976. Charges for finance were reduced from £500,661 to £11,407. During the last six months of the financial year interest was being earned on temporary deposits, the chairman states.

Because of its continuing improvements in liquidity the company is considering a cautious policy of group expansion, not necessarily wholly confined to its present sphere of operations.

Statement Page 11

LOA NEW BUSINESS

The Life Office Association has issued figures for new U.K. individual life assurance business, excluding group pensions, taken out during the first quarter of 1977, the first time that such figures have been released.

These show that new annual premiums amounted to £101m. and single premiums totalled £109m. Linked life assurance business accounted for £18.7m. of the annual premium figure and £51.1m. of single premiums. Immediate annuities accounted for £28.5m. of single premiums.

The intention of the life associations in producing these figures is to provide more frequent and up-to-date information concerning new life business. At present it is not in a position to provide comparable figures.

Moss Bros. to at least hold its position

Tailors and suit hirers, Moss Bros., will not fall back on progress already made, states Mr. B. H. Moss, chairman, in his annual review to members.

The company has continued the pursuit of plans which involve the introduction of more stylish and competitive merchandise.

It is in the process of re-fitting and modernising the Covent Garden store and some branches. Also the directors continue to seek better sites for certain other branches.

As known, there was a turnround from a loss of £73,483 to a profit of £242,198 for the year ended January 29, 1977, on turnover up from £4.88m. to £5.01m.

In achieving the return to profit, some of the company's unprofitable operations have been eliminated and overheads and expenses rigorously controlled.

The short-term borrowings, which at January 31, 1976, stood at £1.15m., have been eliminated entirely.

A source and application of funds statement shows that net liquid funds increased by £0.96m. (£0.85m.).

Grovewood Securities holds 11.43 per cent. of the Ordinary and The Prudential Assurance Company 5.71 per cent.

Meeting, 20-21, King Street, W.C., June 23, noon.

Barclays Bank International Limited and its subsidiaries

Interim results for the half-year ended 31st March 1977

The Directors of Barclays Bank International Limited announce that the unaudited group profit for the six months ended 31st March 1977 and the comparative profit for the corresponding period last year is as follows:

	1977 £000	1976 £000
Operating Profit	52,217	41,527
Interest on loan capital	5,016	2,700
	47,201	38,827
Share of profits less losses of associated companies	8,402	2,886
Profit before taxation and extraordinary items	55,603	41,713
Taxation	26,969	19,855
Profit after taxation	28,634	21,858
Profit attributable to outside shareholders of subsidiaries	4,705	6,269
Profit before extraordinary items	23,929	15,589
Extraordinary items	—	(1,022)
Profit attributable to the members of the Bank	23,929	14,567
Dividend	—	600
Profit retained	23,929	13,967

NOTES

1 The Bank is a wholly owned subsidiary of Barclays Bank Limited but has its own quoted unsecured loan capital.

2 Until 30th September 1976 the Bank held 51.67 per cent of the issued share capital of Barclays Bank of Nigeria Limited (BBN). On that date the Federal Government of Nigeria acquired from the Bank 11.67 per cent of the issued capital of BBN, giving them a controlling interest and reducing the Bank's shareholding to 40 per cent. In the six months ended 31st March 1977 the group's 40 per cent share of the profit of BBN is included in share of profits less losses of associated companies. In the comparative figures BBN is included on the basis of the company being a 51.67 per cent subsidiary.

3 The charge for taxation comprises:

	1977 £000	1976 £000
United Kingdom Corporation Tax at 52%	14,856	7,696
Less: Relief for overseas tax	8,845	6,450
	6,011	1,246
Overseas tax	17,670	17,885
	23,681	19,131
Associated companies	3,288	724
	26,969	19,855

4 Surpluses and deficits on realignment of exchange rates arising from the revaluation at 31st March 1977 of net assets held overseas on 18t October 1976 and on any foreign currency borrowings used for acquisition and expansion have been taken directly to reserves as being outside the group's normal trading activities. These amounted to a net deficit of £6 849 000 (1976 net surplus of £7,854,000). In the 1976 interim statement the net surplus was included in extraordinary items. The comparative figures have been amended to reflect the change of treatment which was adopted in the 1976 annual accounts. All other exchange profits and losses which arise from normal trading activities have been dealt with in arriving at the operating profit.

Balance sheets at 31st March 1977

Note		The group £ million	The Bank £ million
	ASSETS		
1	Cash and short term funds	2,086	1,133
2	Investments	828	123
3	Advances and other accounts	7,735	4,892
		10,649	6,148
	Investments in associated companies and trade investments	67	42
	Investments in subsidiaries	—	131
	Premises and equipment	171	65
		10,887	6,386
	CAPITAL		
4	Ordinary stock	130	130
	Reserves	228	124
	Stockholders' funds	358	254
	Outside interests in subsidiaries	66	—
	Loan capital	115	113
	Capital resources	537	367
	LIABILITIES		
	Current, deposit and other accounts	10,350	6,019
		10,887	6,386

NOTES

1	Cash and short term funds include: British and other government treasury bills	217	90
	Bills available for rediscount with central banks	84	14
2	Investments include securities of or guaranteed by the United Kingdom and other governments	594	118
3	Advances and other accounts include trade bills	216	125

4 Capital authorised: 130,000,000 ordinary shares of £1 each. All the ordinary shares have been issued as fully paid and have been converted into stock.

5 Acceptances, guarantees, indemnities and credits for account of customers for which there are counter liabilities of customers amount for the group to £1,679 million and for the Bank to £785 million.

J. F. O. GIBSON, *Chief Accountant*, London, 26th May 1977

Barclays Bank International Limited
Head Office: 54 Lombard St. London EC3P 3AH

BARCLAYS International

£0.87m. minorities hit Minster Assets

PRE-TAX PROFIT of Minster Assets rose from £3.44m. to a record £7.22m. during 1976 but after tax, and much heavier minority payments of £0.87m., compared with £9,807, the balance is down from £3.04m. to £2.34m.

Second half pre-tax profit jumped from £2.91m. to £4.46m. In November the directors forecast an improvement for the year.

Stated earnings are down from 8.99p to 6.84p per 25p share: dividend total is up from 2.93p to 3.245p with a net final of 1.743p.

Due to the incidence of tax relief in respect of realised losses dealt with through investment reserve, no U.K. corporation tax will be payable for 1976, it is stated.

Losses of £9.95m. are available for carry-forward at December 31, 1976 in subsidiary companies to be offset against their future profits.

Because of tax relief from realised losses dealt with through investment reserve, no U.K. corporation tax will be payable. Losses of about £1.33m. are available for carryforward at year-end for offset against future profits in Minster Insurance Company.

● comment

The 23 per cent. fall in attributable profits at Minster Assets is due to the dilution of its stake in Minster Insurance. The deduction for minority interests is up from £10,000 to £0.9m. but the company believes that the status of this insurance subsidiary has improved and that the benefits to the parent company's profits will accrue in a year or two. In the meantime, the underwriting performance has improved considerably with both sections showing a profit. The British Midland Airways contribution is down but will be boosted in the current year by the April strike at British Airways, while two long-haul contracts have been obtained for Boeing 707s. On the other hand, motor insurance, accounting for over half premium income, will have suffered in the first quarter from the harsh winter. At 45p the shares yield 11.6 per cent. covered 2.1 times.

Buckley's advance to peak £0.78m.

AFTER A midway advance from £336,558 to £395,669, Buckley's Brewery finished the 52-week period to April 2, 1977 with record taxable profit of £778,603 against £712,993.

Turnover for the year was ahead at £6.1m. compared with £5.4m.

A final dividend of 1.125p net per 25p share makes a total of 1.625p (0.9973p).

After tax of £336,593 (£240,073) net profit came out at £442,005 (£472,832).

A subsidiary, Robt. Bradford (Holdings), announces pre-tax profit up from £4.98m. to a record £7.05m. Best ever results were obtained from all branches, state the directors.

Brit. Syphon plans to invest more

The directors of British Syphon Industries are currently planning to enlarge the capacities of its packaging and cutlery companies and to improve the plant in the pressing and fabrication companies. This follows a year of relatively low investment, Mr. J. M. Anderson, the chairman, says in his annual statement.

He also states that a scheme has been drawn up which will allow employees, with certain minimum levels of service, to be able to make voluntary payments each month to a trust which will purchase existing company shares on their behalf.

Under a published statement of objectives the company says it aims to encourage employee participation and to remain an independent public concern.

As reported on May 12, on sales in 1976 of £13.93m. (£10.05m.), pre-tax profit advanced from a depressed £71,362 to a record £0.95m. The dividend is lifted to 1.2343p (1.2675p) per 20p share.

Net liquid funds, represented by bank borrowings, were up £0.22m. (down £0.11m.), and working capital was up £0.81m. (down £59,000).

At year end capital commitments totalled £58,300 (£3,500) of which contracts had been placed for £44,000 (nil).

During the year the dispense equipment division increased sales by 70 per cent. to £6.72m. and contributed £3.78 per cent. of profit. The engineering division contributed 22.82 per cent. on sales of £3.7m. and industrial merchanting division 13.4 per cent. on sales of £3.53m.

Plysu expands to £0.8m.

AS FORECAST at halftime, growth continued in the second half with taxable profit moving ahead from £0.25m. to £0.32m., for plastics containers and domestic wares manufacturers Plysu to end the 52 weeks to March 31, 1977, with a record £0.81m. against £0.47m. for the previous 53 weeks. Sales were £2.84m. higher at £9.42m.

The months ahead should show a marked increase in turnover and profit as rising demand for the company's containers is matched by increased and ever more efficient production, the directors say. They view the prospects for the current year and the years ahead with optimism.

Stated earnings per 10p share were 7.7p (4.3p) and the net final dividend is 0.7525p for a maximum permitted total of 1.2387p (1.1261p).

An independent valuation of land and buildings at March 31, 1977, put their open market value at about £1m. in excess of their written-down book value of £1.05m. The directors propose to incorporate an up to date valuation in the accounts for year to March 31, 1978, when the additional factory buildings, now in the course of construction or planned, will have been completed.

Barclays Intl. expects to pass £100m.

MAINLY REFLECTING the general growth in the group's world wide business profits before tax, of Barclays Bank International expanded by 33 per cent. to £85.6m. in the six months ended March 31, 1977: and for the second half indications are that the result should not be materially different from that of the first.

This would give a figure of around £111m. for the year which would compare with £84.6m. for 1975-76.

Until September 30, 1976, the bank held 31.67 per cent. of Barclays Bank of Nigeria. On that date the Government of Nigeria acquired 11.67 per cent. of the capital of BBN, giving it a controlling interest and reducing the bank's holding to 40 per cent.

In the six months ended March 31, 1977, the group's 40 per cent. share of the profit of BBN is included in share of profits of associates. In the comparative figures BBN is included on the basis of the company being a 51.67 per cent. subsidiary.

Surpluses and deficits on realignment of exchange rates arising from the revaluation at March 31, 1977, of net assets held overseas on October 1, 1976, and on any foreign currency borrowings used for acquisition and expansion have been taken directly to reserves as being outside the group's normal trading activities.

These amounted to a net deficit of £8,649,000 (net surplus of £7,884,000). In the 1976 interim statement the net surplus was included in extraordinary items. The comparative figures have been amended to reflect the change of treatment which was adopted in the 1976 annual accounts.

All other exchange profits and losses which arise from normal trading activities have been dealt with in arriving at the operating profit.

The group balance sheet at March 31 shows cash and short term funds at £2.09bn., and advances and other accounts at £7.74bn. Deposits, etc., totalled £10.33bn.

BBI currently holds 24.5 per cent. of Tozer Kemsley & Millbourne which yesterday announced a rights issue. BBI is not taking up its entitlement and these shares have been placed (see details page 38).

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Young Brewery progress

PROGRESS CONTINUED in the second half with a rise in taxable profit from £0.55m. to £0.63m. for Young and Co.'s Brewery to end the year to March 31, 1977, with a record £1.49m. against £1.14m. Sales were ahead by £2.55m. at £15.27m.

Stated earnings per 50p share were up from 8.33p to 11.13p and a net final dividend of 1.4897p (1.3866p), for a total of 2.8897p (2.5688p), has been proposed. Of the final, 1.4452p, the maximum permitted at present, will be paid on July 12, and the remainder is to be paid following the passing of the Finance Act, 1977.

Atkins Bros. up to £0.51m.

PRE-TAX profits of Atkins Brothers (Hosiery) for the year ended March 31, 1977, rose from £326,965 to £509,100 on turnover ahead at £8.68m. against £7.18m.

The directors say that the figures for 1975-76 have been recalculated to take account of the change in the basis of stock valuation which was to conform with Statement of Standard Accounting Practice No. 9. The effect of this change increases pre-tax profits for 1976-77 by £75,188 compared with a reduction of £10,618.

Profit at the halfway stage was £133,077, compared with an adjusted £149,535 (previous £90,913).

The current year had started quietly, the directors say, but this was not unusual as the company operates in a seasonal industry. Because of its planning and investment over the last two years, the company is in a very good position to take advantage of any available opportunities.

A final dividend of 2.414p net per 25p share lifts the total to 3.289p (2.99p), the maximum allowed.

Net profit emerged as £232,912 (£163,077) after tax of £276,188 (£163,888).

Selincourt set for jump

IN THE first quarter of the current year trading figures for Selincourt, the garment manufacturing and textile group, are encouraging and for the full-term Mr. Lionel Leighton, chairman, forecasts a further significant profit rise. The company hinted yesterday that a pre-tax figure of around £4m. could be on the cards.

In the year ended January 31, 1977 group sales jumped by 20.6 per cent. to £48.23m. and profits expanded by 108 per cent. to £3.18m. Exports rose by 38.3 per cent. and now account for over 13 per cent. of U.K. turnover. The group is continuing to build on the success it has achieved in the export field.

The chairman reports a turnround of Tricosa from a loss of £240,000 to a profit of £431,000 and a cutback of MacDougall losses by almost £100,000 to a little more than £40,000. This latter company, with a full order book for its Scottish knitwear products, is now trading profitably.

Although Tricosa is well known throughout Europe Mr. Leighton says that the U.S. market has not really been penetrated and steps are now being taken to market Tricosa products in depth in North America.

The group is currently examining the possibility of establishing a European headquarters which in the first instance would serve as a show place for the group's fashion ranges, but later on could also serve to promote lace and textile products.

Goodwill standing in the books last year at £1.53m. has been written off against reserves and this reduction has been counterbalanced by the inclusion in reserves of deferred tax of £1.8m. After these adjustments shareholders funds have increased by £2.82m. to £7.46m.

The ratio of borrowings to shareholders funds at the year end was 1.4:1 and the group hopes to get this down to 1:1 by the end of the current year.

Meeting, The White House, NW, June 29, at noon.

net, for which the directors have waived rights. The last payment totalled 0.4375p in 1972/73.

For the six months to April 3 1977 turnover dropped from £1.73m. to £1.51m. and profit was £40,000 (£5,000). There is no charge.

Minorities take £11,000 (£1,000) leaving £29,000 (£4,000).

The figures exclude the results of AGO Limestone N.V. since the directors believe that this company will be liquidated shortly.

Saatchi Compton 24% rise

TAXABLE PROFIT improved 24 per cent. to £571,000 at Saatchi and Saatchi Compton for the months ended March 31, 1977, derived from higher turnover £16.89m., compared with £17.3m. and the continued growth margins, which rose from 2.8 per cent. to 3.8 per cent.

And except in the most unusual circumstances, the company should be able to maintain its six-year record of unbroken growth in profits, states Kenneth Gill, chairman—he sees no reason to suppose that this year will see that growth interrupted.

Stated earnings per 10p share are up from 5.9p to 6.8p, the net interim dividend is being raised from 1p to 3p to reduce disparity. For the full year to September 30, 1976, dividends totalled 3.7p and profits £976,000.

The chairman says he is particularly gratified by the continued steady improvement in margins in the first half, to which reorganisation of the provincial chain has begun to make a serious contribution. The two London agencies have continued to build business both from their existing and new clients, with important new gains from Cadbury Schweppes, United Biscuits, Records, Black and Decker more recently, Sainsbury's.

£2m. turnround for Culter Guard Bridge

PAPER manufacturers and converters, Culter Guard Bridge Holdings, reports a £2m. turnround from a loss of £1.42m. to profits of £0.6m. for the year to March 31, 1977. Turnover expanded from £12.85m. to £19.12m. At midway profits stood at £221,000 compared with a deficit of £1.19m.

Full year earnings are shown at 3.9p per 25p share (£8.89p loss) and the directors are proposing a final dividend of 1p net—the first payment since a 1.003p net interim for 1974-75.

Some of the advance in turnover is a reflection of the progress that the market in paper has made since 1975, but a significant part of the sales growth is attributable to an improvement in the group's share of the market, say the directors.

Domestic sales of Culter and Guard Bridge products increased by 28 per cent. in value. Smith and McLaurin sales were 12 per cent. higher in volume and 34 per cent. up in value. Exports were up by 22 per cent. in volume and 39 per cent. in value, representing a substantial increase in the proportion of exports of paper from the U.K.

During the year it became clear that as a result of rigorous financial husbandry, the group would not need to call on the £500,000 loan offered by the Scottish Economic Planning Department. The SEPD has been informed that the company wishes to withdraw from the loan agreement and to be released from the various obligations associated therewith.

Commenting on the results, Mr. Roger Fleming, the chairman, says the past 12 months have seen a dramatic change in the group's performance, but future improvement in profitability will again depend as much on the group's own positive action as on an easing of the general economic situation. "I am confident that the new investments in manufacturing plant will speed our progress to full recovery," he adds.

● comment

Culter Guard is yet another medium-sized paper company showing a dramatic recovery and claiming that it has found a way of minimising the strong cyclical nature of its profits in the future. It is trying to get into specialist markets where the volume producers will not follow and an announcement of further investment for this purpose will be made in the annual report. The success or otherwise of the attempt will not be seen for several years when the next downturn comes. No one doubts that in the immediate future, profits will be on the upturn as Culter rides the cycle but the stock market will take some convincing that the volatility is over and the shares standing at about a third of net worth reflect the scepticism. It is a pity that the CPP accounts have been dropped since they might help to bridge the credibility gap. At 29p the yield is 7 per cent. covered 3.9 times.

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Edinburgh Industrial 0.1p payment

Edinburgh Industrial Holdings is returning to the dividend list with an interim payment of 0.1p

REPORTS TO MEETINGS

Bowthorpe sees higher profit

Profit of Bowthorpe Holdings should show a further improvement over last year's record £5.45m., said Mr. Jack Bowthorpe, the chairman, at the annual meeting yesterday.

Order books were strong at home and overseas and trading results for the first four months were on target. Improvement continued in the Hellermann cassettes subsidiary, which had returned to profitability.

Several other annual meetings were held yesterday, and the following extracts are taken from the chairmen's speeches.

Camrex (Holdings)—Mr. Alex Cameron said profits for the first four months continued satisfactorily and in accordance with expectations.

Hoveringham Group—Profits were marginally ahead, reported Mr. Chistopher Needler. Taking into account the continuing difficult trading climate, it was anticipated that the small improvement would be maintained for the first half of the year.

Glynwed—Mr. Leslie Fletcher said group was still awaiting signs of a real uplift in trade although turnover for the first four months was ahead of last year. "Meanwhile we shall continue with our efforts to improve our export drive."

Beatties—Profits were a little ahead of last year, reported Mr. James Beattie. A number of projects were being developed which he hoped would contribute to improved productivity, especially in the second half.

Matthews Wrightson Holdings—Group first quarter figures encouraged directors to look for another year of further overall progress, said Mr. J. B. Eldridge.

Results of Stewart Wrightson were well up and the comparative operating profit trend was encouraging, irrespective of currency gain considerations. The 1974 account at Lloyd's proved somewhat better than expected so that earnings at Matthews Wrightson Pulbrook for the current year, although well down on 1976, would still allow the company to make a worthwhile contribution to profits.

Galbraith Wrightson started well despite the stagnation in the shipping markets. Assuming there was no further deterioration in ship values, it was not expected that it would be necessary to make any additional provision against the anticipated loss on disposal of a large bulk carrier.

James Neill Holdings—Prospects for 1977 were bright, said Mr. Hugh Neill. Sales of U.K. companies in the first four months were substantially higher and fully justified the increased level of output now being achieved and which should lead to a significant improvement in profitability.

BIDS AND DEALS

European Ferries sells £15m. portfolio

European Ferries yesterday cashed in on its acquisition of English and Caledonian Investment, which was declared unconditional on Monday, by liquidating almost all of the trust's portfolio worth about £15m.

Ahead of the announcement of European Ferries offer a month ago, EF shares stood at 73p and the break-up value of the trust's portfolio was estimated at £13m., equivalent to European Ferries raising money at 60p a share.

During the course of the offer, the value of the portfolio has risen to almost £15m. implying an effective "rights issue" price of around 69p against a market price yesterday of 70½p.

Mr. Keith Wickenden, chairman of European Ferries, said yesterday that while a number of approaches had been received from institutions who were keen to take over the portfolio en bloc, the marketplace was prepared to absorb the stock at very competitive prices—in some cases at market value.

Although one factor behind European Ferries' decision to use the marketplace for its disposals was the time involved in negotiating a deal with institutions, it is also felt that interest in buying portfolios wholesale, as evidenced by the unsuccessful bid for Standard Trust by British Rail Pension Fund, has tapered slightly following the recent rise in the market.

FODEN TURNS DOWN R-R

The directors of Fodens yesterday gave a formal thumbs down to last week's £8.4m. take-over bid from Rolls-Royce Motors.

In a letter to shareholders they say the offers for the Ordinary and Preference shares are "completely unacceptable and not in the best interest of shareholders." A further letter setting out their reasons will be sent to shareholders as soon as possible. Meanwhile, shareholders are advised to take no action.

When Rolls-Royce first launched its bid last week, Fodens' chief executive Mr. William Foden said: "We do not welcome any bid from anyone at this stage in our recovery." But he said the directors would study the situation in the interests of shareholders.

Yesterday Fodens' shares were standing 4p higher at 46p on hopes of an increased offer. The Rolls-Royce share exchange offer values each Fodens share at around 39½p.

CHARRINGTONS PURCHASE

Charringtons Industrial Holdings has agreed to purchase from Western Motor Holdings the share and loan capital of Alfred Bell for some £1.1m., cash, including the repayment of intra-group indebtedness.

Bell's business is the storage and distribution of products throughout Great Britain.

In its last accounting period, which ended on December 31, 1976, Bell incurred a loss of £257,000 before tax and unaudited management accounts to April 30, 1977, indicate a loss of some £133,000 for the first four months of this year. This compares with a loss for the comparable period in the last financial year of £142,000.

As at December 31, 1976, consolidated net assets of Bell and its subsidiaries, before intra-group indebtedness, were about £1.1m.

GARNER SCOTBLAIR

By June 1, Garner Scotblair had received acceptances in respect of 499,325 Ordinary shares (approximately 96.55 per cent. of the present Ordinary shares) and 17,718 Preference shares (approximately 88.58 per cent.) under its offers to acquire Walter James Adams and Co.

Garner has, therefore, declared the offers to have become unconditional and they remain open.

REABROOK TRUST

Reabrook Investment Trust has formed a new subsidiary, Stallmex, to invest in unquoted securities. It has a paid up capital of £6,400 and existing bank facilities of £36,000.

It is the intention of the Board that the company should retain its investment trust status.

On May 31, the company, through Stallmex, agreed to acquire for £40,800 51 per cent. of the capital and subordinated loan stock of Saplewood, a new company formed to trade as wholesalers of refrigeration equipment.

Saplewood has entered into a contract to purchase for approximately £120,000 certain fixed assets and stocks of refrigeration equipment from Gordon Sales and Service and its subsidiary company, North Lancashire Refrigerators and will commence trading on July 4.

Mr. Frank Upton, an executive director of Gordon Sales and Service has agreed to subscribe £20,000 for 25 per cent. of the Ordinary shares and subordinated loan stock of Saplewood.

PURBECK SAYS NO TO SINGLO

Purbeck Group has rejected Singlo Holdings £1½m. offer as "unacceptable and totally inadequate," and says the offer was made without and prior consultation with the Board of Purbeck.

Mr. D. M. Slocock, who is a director of Purbeck, but is also chairman of Singlo, is taking no part as a director of Purbeck in considering the terms of the proposed offer.

Shareholders who hold in excess of 40 per cent. of the voting capital of Purbeck have indicated their support for the Board's views. Singlo, for its part, claims an effective holding, including irrevocable acceptances, of 39 per cent. of Purbeck.

The Board of Purbeck and its financial advisers strongly recommend shareholders to take no action.

Singlo yesterday announced the acquisition of Osbornes (Drinks) with effect from March 31, 1977, and W. Brown (Woodville) with effect from December 31, 1976.

Consideration for Osbornes was £27,000—£10,000 cash and the issue of 170,000 Singlo shares at par; and for Brown £30,000 as to £15,000 cash and 150,000 shares at par.

At March 31, 1977, Osbornes had net assets of £25,000 and it made pre-tax profits of £5,000 in the 12 months ended on that date. The accounts of Brown at December 31, 1976, indicate net assets of £31,000 and pre-tax profits of £8,000 for the 12 months ended on that date.

CAIRD (DUNDEE)

The listing of Caird (Dundee) has been temporarily suspended at 35p at the company's request, pending a further announcement.

In April, Caird announced that preliminary discussions were being held with another party.

SHARE DISCLOSURES

Scottish and Universal Investments—On May 27 ACGE Investments, a wholly owned subsidiary of Lonrho, purchased 50,000 Ordinary shares, bringing total holding of the Lonrho Group to 8,084,548.

W. H. Smith and Son (Holdings)—Mr. Julian David Smith, a director, has ceased to be interested in his capacity as a trustee in 4,914 "A" ordinary shares and 4,900 "B" ordinary shares.

Laird Group—Following are changes in directors interests: Mr. D. N. Dow sold on May 31, 1977 1,250 Ordinary stock units; Mr. A. H. Sansome sold on May 30, 1977 17,000 Ordinary stock units.

Kaduna Syndicate—Selukwe Gold Mining and Finance Company bought 54,000 Ordinary shares at 14p on June 1, 1977.

Brown Bros. Corpn.—Sir Monty Prichard, a director, has purchased 50,800 shares.

Ibstock Johnsen—Mr. R. G. Boxall, a director of a subsidiary company, Ibstock Building Products, has sold 398 shares which he held beneficially in Ibstock Johnsen.

London and Lennox Investment Trust—Mr. R. F. Denholm, a director, has increased his beneficial interest in the company to 11,149 Ordinary shares by acquisition of a further 10,000.

Martonair International—Mr. R. C. Cartwright renounced his rights to 3,430 new shares as a gift for nil consideration. Mrs. E. M. Cartwright (his wife) took up her full entitlement of 2,210 new shares.

United Biscuits (Holdings)—Mr. H. Laing, the chairman, has reduced his trustee interest by 100,000 Ordinary shares.

Wolseley-Hughes — Prudential Assurance Company has now less than 5 per cent. of the Ordinary share capital.

Carrington Investments—Scottish Amicable Life Assurance Society has increased its holding by 7,300 Ordinary shares to 69,100.

Guildhall Property Company — Barings Nominees are the holders of 1,028,000 Ordinary shares (16.8 per cent.). It has been confirmed, however, that none of the underlying beneficial owners has an interest in 5 per cent. or more of the equity of the company. Other long standing and unchanged substantial interests in the company are held by Allnatt London Properties, 2,400,000 shares, and the Chase Charity, 1,000,000 shares. These holdings are shown in the company's published accounts.

Selukwe Gold Mining and Finance Company — Hambleton has purchased 5,488 shares, increasing its beneficial holding to 132,000 (3.16 per cent.).

Walker and Homer — Mr. T. A. E. Owen, a director, has disposed of 5,000 Ordinary shares.

Minster Assets — Hill Samuel and Company is interested in 1,865,000 Ordinary shares (5.46 per cent.).

Pengkalen—Renong Tin Dredging Company owns 174,500 shares (10.9 per cent.).

Kelsey Industries — Mrs. D. M. Arbib has divested herself of a total of 30,000 shares, 10,000 each to three settlements for the benefit of her grandchildren. Share interests of directors affected are revised as follows: P. B. Arbib 349,615 (9.10 per cent.), M. Arbib 360,483 (9.39 per cent.), G. F. Arbib 366,543 (9.55 per cent.).

Gestetner Holdings—USF Nominees has purchased 8,000 Ordinary shares.

Law Land Co.—Under the share option scheme further options to subscribe for a total of 76,900 Ordinary shares at a price of 48p per share have been granted to six executives. This makes a total of options outstanding to subscribe for 749,800 shares under the scheme.

Raybeck—Mr. Alfred Simons, a director, sold 50,000 Ordinary shares on May 31. His remaining beneficial holding is 1,008,018.

Mills Marsters Group—Mr. C. J. G. Gillett, a director, has sold 1,000 shares.

Brooke Bond Liebig—Mr. L. G. Green, a director, has taken up 10,848 shares alloted under the rights issue.

James Cropper and Co.—Peter Charlton now holds 2,100 Ordinary shares.

Marks and Spencer—Director J. E. Sieff, as a trustee, has acquired 300 Ordinary shares.

Dover Engineering Group—Lord Aylestone, a director, bought on May 30, 1977 1,000 Ordinary shares at 18p per share.

BSR—Following the recent rights issue, directors' holdings are now as follows:—G. R. Wooldridge 6,294, G. Gater 15,146, E. E. Perks 29,402, N. Lane 16,550, M. I. A. Fraser 300, T. B. Shaw 1,200, and R. E. Allen 1,200, all being beneficial. J. N. Ferguson has 89,000 beneficial and 13,363 non-beneficial.

Barclays International — Company has purchased a further £30,000 of 7½ per cent. unsecured capital loan stock 1986-91.

Ruo Estates: Warren Plantations has purchased 12,500 Ordinary making total holding 124,000 (9.1 per cent).

United Carriers: Mr. G. Millard has disposed of 25,000 Ordinary.

W. Williams and Sons: Cliff Hotel (Gwbert) has purchased 5,000 shares.

Dany International: L. Ashford beneficial holding of 860 shares. S. Burns beneficial holder of 28,044. G. L. Cartwell beneficial holder of 2,341. E. P. McTighe beneficial holder of 13,101, and non-beneficial holder of 60,655. A. N. Whiting beneficial holder of 466, P. W. Robinson beneficial holder of 12,879, now beneficial holder of 62,563.

MINING NEWS

Agnico-Eagle expects a better year

BY KENNETH MARSTON, MINING EDITOR

AFTER HAVING suffered a net loss of $C1.36m. (£0.75m.) last year as a result of the lower gold prices, Canada's Agnico-Eagle looks for better things in 1977. The president, Mr. Paul Penna, envisages "a dramatic turnaround in terms of increased cash flow from mining operations, both as a result of improved production of gold and silver and higher prices for these two precious metals."

He points out that the current discount on the Canadian dollar against that of the U.S. dollar means that Canada's gold producers receive an extra $C7.50 per ounce at a bullion price of $U.S.150. The average price of gold received by the company in 1976 was $C133.55 while costs equalled $C92.27 per ounce.

The gold division made a net profit of $C1.84m. while there was an operating loss on silver production of $C311,065. The overall loss was reached after the deduction of depreciation and other items. During the first quarter of this year there was a net loss of $128,964.

Mr. Penna describes the recent high grade silver values encountered at the Beaver-Temiskaming properties in the Cobalt Camp of Ontario as having shown "excellent potential for substantial new silver production in what must be regarded as a likely major geological break-through."

He adds that the company's previously projected output of 1m. ounces of silver for 1976 is now more likely to be realised this year. Gold operations resulted in a production of 14,555 ounces in the first quarter of this year and a further 5,591 ounces were produced in April. Shares of Agnico-Eagle, which has yet to reach the dividend-paying stage, are around $C5¾ in Toronto.

Camflo Mines

Another Canadian gold producer, Camflo Mines says that its earnings outlook has improved considerably thanks to higher bullion prices and sharply increased revenue from natural gas. Net income in the first quarter rose to $C1m. (£554,323) from $C600,000 in the same period of last year.

The gold mine at Malartic in north-western Quebec operated in the first quarter at a cost per ounce of $C54.18 compared with an average of $C61 in 1976 but the lower figure stemmed from several favourable factors which have now given way to more normal conditions. Even so, the general manager expects 1977 to be "an excellent year."

Camflo's most interesting exploration venture is the Kasmere Lake uranium prospect in northern Manitoba where there is to be minimum spending of $1m. annually for the next two years. Camflo and United Siscoe each have a 25 per cent. stake in the venture with the Manitoba Government holding the rest and paying its share of the costs.

The Camflo president, Mr. George Smith says that "we hold very high hopes than an economic uranium deposit will be discovered within the present boundaries given adequate time and financial support."

CORNISH SEEK GRANTS AID

The Cornish Chamber of Mines is trying to persuade the Government to resume the payment, at least in part, of Regional Development Grants to the mining industry. The grants were stopped in March.

The Chamber's approach was outlined by the chairman, Mr. M. Gowan, at the annual general meeting at the Camborne School of Mines.

"With the continual search to improve the rate of metal recovery, the mineral processing side of mining is becoming increasingly complex and it seems justifiable to regard it as a separate process from the extraction of ore. The Department of Industry appears sympathetic to this view and I am still hopeful that some aid may be forthcoming," said Mr. Gowan.

He stressed that the industry was in no way depressed and was anxious to see other enterprises established in the area. It has been helped by the higher price of tin which gives the opportunity to seek the technical means for a more profitable mining of lower grade ores.

SASKATCHEWAN'S URANIUM PROBE

Taking, no doubt, its cue from Australia where Mr. Justice Fox has been enquiring into possible uranium developments in the Northern Territory, the Saskatchewan Government in Canada has initiated an enquiry, under the charge of Mr. Justice Bayda, into the development of the Key Lake uranium deposits.

The deposits are owned by the state-controlled Saskatchewan Mining Development Corporation, the German company Uranerz and Inexco Mining, the exploration subsidiary of Inexco Oil of Texas.

Should Mr. Justice Bayda's report, the enquiries for which are now starting, be favourable to development, production could start in 1982-83, or round about the time Australian uranium could theoretically be coming on to the world markets. The report is due at the beginning of November.

Meanwhile, the consortium has reported "the apparent discovery of a new ore deposit" at Maurice Bay, also in the north of Saskatchewan. After drilling 23 holes, the partners were not prepared to make any commitment about the economic viability of the deposit.

For this venture the shareholdings are different with Saskatchewan Mining holding 50 per cent. and Uranerz and Inexco holding 25 per cent. each.

CRA BREAKS OFF JENNINGS TALKS

Plans for Conzinc Riotinto of Australia to build up a presence in the Western Australian beach sands industry have been restricted by the group's announcement that it will not be proceeding with any development of the Jennings Industries deposits in conjunction with others in the area.

In April CRA announced that Jennings had asked for an assessment to be made of its mining operations at Eneabba and its plant at Geraldton. This move came quickly after a CRA disclosure that talks were taking place with Allied Minerals.

The decision about Jennings does not affect the talks with Allied Minerals. CRA simply stated that the assessment had been completed and "it had been decided not to proceed with this concept."

Unclassified ore reserves at Jennings Eneabba deposits were put in 1975 at 17m. tonnes of ilmenite, 7m. tonnes of zircon and 3m. tonnes of rutile with an average grade of 9 per cent. heavy mineral. The company has some 8,000 hectares of land in the area and is thought to have spent about $A12m. (£7.7m.) on the project. All production is now forward sold.

ROUND-UP

Helped by new mining methods Selection Trust's 84 per cent.-owned Selcast Exploration nickel producer in Western Australia has made an operating profit of $1.99m. (£1.28m.) in the year to March 31 compared with an operating loss of $520,838 in the previous year. After State royalties, interest, depreciation and mine amortisation there is a net loss of $536,831 compared with $2.23m. last time. But the reduced loss should result in Selection Trust's consolidated accounts—due fairly shortly—being improved by about £800,000.

* * *

Japan's Nippon Mining hopes to at least maintain its net profit for the year to March 31 last at 4bn. yen (£8.37m.), but will hold the dividend at 5 yen (0.01p) per share, according to the managing director. Nippon has 492m. shares of 50 yen in issue.

Little change at Bulmer and Lumb

Mr. G. M. Warry, chairman of Bulmer and Lumb (Holdings), worsted spinners, says in his annual statement that trading conditions are still favourable. If the divisions are busy and order books are satisfactory. In the absence of any change from the present situation, he expects profits for the current year to be similar to 1976/77.

As reported on May 13, pre-tax profit for the 53 weeks ended April 3, 1977, was a record £1.44m. compared with £0.68m. The dividend is lifted from 2.3528p to 2.7857p net per 25p share.

Mr. Warry says the improved trading conditions were maintained throughout the year with sales increased by 63 per cent. to £24.27m.

Mr. Warry is to retire as chairman at the end of 1977 to be succeeded by Mr. J. H. Nunneley.

Net liquid funds decreased by £176,365 (£557,670).

On May ..., 1977, Sanderson Murray and Elder (Holdings) held 25,991 shares (9.8 per cent.).

Meeting, Victoria Hotel, Bradford, Yorks, June 24 at noon.

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No interim dividend is to be paid (1.75p net per £1 share) and the directors say that payment of a final will be considered in the light of the full-time results. Last year payments totalling 5.38p were paid from profit of £55,380.

For the six months there was an extraordinary debit of £26,000 (nil).

MONEY MARKET

Interest rates easier

Bank of England Minimum Lending Rate 8 per cent. (since May 13, 1977)

Shorter period interest rates were generally easier in the London money market yesterday, with the one-month sterling certificate yield falling to 7⅛-7⅛ per cent. from 7⅞-7⅞ per cent., while the one-year yield eased to 9⅛-... per cent. from 9⅞-9⅛ per cent. Discount house buying rates for three-month Treasury bills were down at 7¼-7⅛ per cent. compared with 7½-7¼ per cent.

There appeared to be a large credit surplus at the opening, but this evaporated during the day. There was a fairly large Treasury bill take up but on the plus side there were slight net disbursements and a fall in the note circulation after large rises earlier in the week.

Discount houses paid 6¾-7 per cent. for secured loan calls in the early part and closing balances were taken at 6½-7 per cent.

In the interbank market overnight loans opened at 7-6½ per cent., and eased to 6½-6 per cent. before rising to 7-6¾ where the rate stayed to the close.

June 2 1977	Sterling Certificates of deposits	Interbank	Local Authority deposits*	Local Auth. negotiable bonds	Finance House Deposits	Company deposits	Discount market deposits	[illegible]	[illegible]	Fine Trade bills ◆
Overnight	—	6¾-7	6½-7	—	—	7¼-6¾	6-7	—	—	—
2 days notice	—	—	6¾-7¼	—	—	—	—	—	—	—
7 days or 7 days notice	—	7⅛-6⅞	7-7¼	—	7½	7⅛	6¾-7	—	—	—
One month	7¼-7⅛	7¼-7⅛	7¼-7½	8-8¼	7¾	8	7¼	7¼-7⅛	7¼-7⅛	8⅜
Two months	7⅞-7¾	7¾-7⅞	—	8½-8	8	—	7¼-7¼	7½-7⅜	7½-7½	8½
Three months	7⅞-7⅞	8-7⅞	8-7¾	8½-8	8⅛	8⅛	7½-7⅜	7½-7⅞	7¾	8⅜
Six months	8⅝-8⅝	8⅞-8¾	8¾-8⅞	9-8½	9	—	—	—	8-7¾	8½-8½
Nine months	9-9⅛	9⅛-9⅛	—	9¾-9¼	9¼	—	—	—	—	—
One year	9⅛-9⅛	9⅛-9⅛	9¾-10	10-9½	10¼	—	—	—	—	—
Two years	—	—	11⅛-11⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. *Longer-term local authority mortgage rates nominally three years 12¼-12¼ per cent.; four years 13-13¼ per cent.; five years 13-13½ per cent. ◆ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 7¾-8 per cent.; four-month trade bills ... per cent.

Approximate selling rate for one-month Treasury bills 7⅛ per cent.; two-month 7⅛ per cent.; and three-month 7⅛ per cent. Approximate selling rate for one-month bank bills 7⅛-7¼ per cent.; two-month 7½ per cent.; and three-month ... per cent.; one-month trade bills 8¼ per cent.; two-month 8¼ per cent.; and also three-month 8¼ per cent.

Finance House Base Rate (published by the Finance Houses Association): 14 per cent. from June 1, 1977. Clearing Bank Deposit Rates for small sums at seven days' notice 4 per cent. Clearing Bank Base Rates for lending 9½ per cent. Treasury Bills: Average tender rates of discount 7.4357 per cent.

Amalgamated Power optimistic

In his annual statement Mr. H. A. Whittall, the chairman of Amalgamated Power Engineering, says it is too early to make a forecast for 1977 but the order book position together with trading results for the first quarter give grounds for optimism.

As reported on May 13, turnover expanded from £39.37m. to £46.33m. in 1976 and pre-tax profits more than doubled from £1.58m. to a record £3.39m. Earnings rose from 8.64p to 22.5p per 25p share and the dividend is the maximum permitted 3.658146p net.

A £2.3m. rights issue has also been announced and a £3m. medium-term loan facility. The directors have forecast dividends totalling 8p gross for 1977 on the enlarged capital.

A statement of source and application of funds shows an increase in net liquid funds of £231,000 (£1,004,000 decrease). At the year end capital commitments stood at £1.58m. (£1.52m.), with £0.42m. (£0.22m.) contracted for.

Of turnover £19.37m. (£19.73m.) was for the U.K., £2.75m. (£4m.) Europe, £7.85m. (£4.42m.) Africa, £8.33m. (£5.64m.) Americas, £5.96m. (£3.17m.) Asia and £1.88m. (£2.41m.) Australasia.

Mr. Whittall reports that the problems reported in 1974 and 1975 on fixed price contracts have at last been overcome and virtually all the low margin fixed price contracts have now been worked out.

The forward load at the Manchester division has shown a considerable improvement and it has an adequate order book for the remainder of 1977.

The gearing division at Pershore is experiencing lack of orders due to the sharp recession in world shipbuilding, and although action has been taken in alternative markets, the directors do not anticipate this division being back to its previous performance much before 1979 or 1980.

Meeting, Bedford, on June 30 at noon.

Statement Page 9

Dartmouth falls slightly to £255,643

Heating engineers, Dartmouth Investments reports a slight fall in pre-tax profit for the year ended March 31, 1977, from £285,032 to £255,643, after £46,000 against £41,000 at halfway.

The directors state that the substantial costs involved in the company's reorganisation had been absorbed within the results.

Turnover for the year was £4.59m. (£3.36m.) and the directors say that external sales turnover for 1977-78 is currently running at £7.5m. to £8.5m., and there should be a very substantial improvement in profits for the current year.

Earnings per 5p share are shown as 1.72p (1.69p) and the dividend is lifted to 0.7229p (0.6569p) the maximum permitted, as forecast, with a final of 0.3728p net.

Hall Bros. Steamship

Including a full year's expenditure on repairs and surveys, Hall Brothers Steamship Company showed a pre-tax loss of £69,062 against a profit of £22,607 for the six months to February 28, 1977. Turnover was marginally down from £0.37m. to £0.36m.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Brokers in bid to quash SEC proposal

By John Wyles

NEW YORK, June 2.

A BROAD coalition of 19 brokerage and investment banking firms has launched a determined bid to defeat a Securities and Exchange Commission proposal to develop share trading off the floor of the New York Stock Exchange.

Opposition has been steadily mounting on Wall Street since the proposal was published on May 12. The 19 firms have now issued a joint statement which markets the start of a battle which will continue through into next month when the SEC proposal will feature in congressional hearings.

The SEC was charged by the 1975 Securities Reform Act with examining the Stock Exchange's rules, and with eliminating any which tended to mitigate against competition. Rule 390 of the New York Stock Exchange *forbids* members from buying and selling stock *for their own accounts off the* floor of the exchange. It is this restriction that the SEC is trying to remove.

One of the SEC's leading opponents on the issue is Mr. I. W. Burnham, chairman of *Drexel Burnham Lambert, told* the Financial Times to-day that if rule 390 were scrapped "they will destroy the market system. We are all in the business of making markets and none of us want to make markets off the Exchange."

Mr. Burnham and his colleagues argue that to allow dealing off the floor of the Exchange would fragment the market and thereby prevent investors from obtaining the *best price for stock*. In their joint statement the 19 firms claimed that the SEC proposal would lead to a diversion of orders from exchanges and the creation of "dealer markets" by firms trading for their own account *directly* with customers.

Two important securities industry "names" are missing from the lobby. Both Merrill Lynch Pierce Fenner and Smith and Dean Witter and Company have said that if off the floor trading is allowed they would consider making their own market in certain listed stocks.

At the same time as they publicised their opposition to the SEC proposal, which could come into effect from next January 1, the 19 firms have produced three proposals to increase competition among the New York Stock Exchange's floor market makers.

They have suggested that the Exchange's rules be changed to permit one-man specialist firms. (Currently a market making firm must have a minimum of three specialists). In addition the lobby proposed that specialists' minimum capital requirements should be cut from $500,000 to $250,000.

GERMAN TAX REFORM

Foreign holders bear the brunt

BY GUY HAWTIN IN FRANKFURT

THE CURRENT year is likely to be a thin one for foreign shareholders in West German companies in general and holders of German retailing shares in particular. To-day's report by Kaufhof, the Federal Republic's second largest department store group, provides ample support for both assumptions.

Kaufhof, it must first be stated, has performed by no means badly, all things considered. Profits were heavily down last year, but the group is maintaining its 20 per cent. dividend for the seventh year in a row and home shareholders are likely to receive the equivalent for 1977 if things go according to plan.

However, sales showed very little improvement and all indications are that the West German consumer will still be carefully counting the pfennigs. At the same time, the foreign shareholder will start to feel the draught caused by corporation tax reform.

The Federal Republic's corporation tax reform has given West German shareholders a very good break at the expense of the foreign shareholders. Until the new tax regulations came into force this year, home shareholders were at a disadvantage as dividend income was subject to double taxation.

First, corporation tax was levied at the rate of 24.56 per cent. and then the shareholder had to include the dividend payments in the normal income tax returns. Under the new system, the tax on retained profits has been increased from 51 per cent. to 56 per cent. while tax on distributed profits has been raised to 36 per cent.

This is no problem at all for the West German shareholder who is now allowed to offset tax on dividends against income tax. But the foreign shareholder is facing the prospect, not only of reduced gross payouts as West German companies adjust to the new legislation, but also the fact that, although tax on dividends has increased, there is no prospects of offsetting the taxes against income.

Companies have made representations against this and the protests continue, but so far no help has been forthcoming from Finance Ministry. The current line is that they can see no way of easing the foreign shareholders' tax burden except through agreements against double taxation on a bi-lateral basis. Meanwhile company chief executives here are contenting themselves by pointing out that West German shares are still very attractive buys for foreign investors.

Until recently it has been hard to estimate the degree to which dividends will fall. There has been speculation, for instance, about the probable reduction in the dividend likely to be paid by the major banks, but little in the form of concrete comments has been forthcoming.

Kaufhof, however, to-day pointed out that the corporation tax reform would mean a cut in the actual dividend payout. But it was stated that domestic shareholders would effectively receive an unchanged dividend with a 16 per cent. payout and that this would be possible if earnings recovered in the 1975 level. No forecast for 1977 was made, but it is obvious that foreign shareholders can look forward to a heavy real decline in income.

Therefore, for the foreign investor, the current year's prospects for the retailing sector are distinctly unappetising. Kaufhof has set itself the target of pushing up concern turnover over to DM7bn. (£1.73bn.) during the current year, but this presupposes, it would seem, a growth rate not much superior to last year's 3.7 per cent. which took the concern's turnover up to DM6.93bn.

Profits in 1976 fell by 30 per cent. from 1975's DM90.5m. to DM63.2m., although after allowing for exceptional factors that real decline was only 20 per cent. The drop in profitability was quite marked, with earnings per square metre down 1 per cent. at DM7.615.

Kaufhof's smaller rival, Horten, described 1976 as the West German department stores' "blackest year." Horten's turnover rose by a nominal 0.3 per cent. from DM3.65bn. to DM3.66bn., but in real terms there was a decline in sales. Net profits fell from DM40m. to DM25m. and the dividend was reduced from the previous year's 14 per cent. to 10 per cent. Trade, Horten reported, had become even more difficult in 1977 but there were hopes of an improvement in the second half which is as much comfort as any store group is prepared to offer.

Mannesmann keeps its cool

BY ADRIAN DICKS

DUSSELDORF, June 2.

MANNESMANN, the West German steel pipe, machine tool and industrial plant construction group, reported a drop in turnover of 7 per cent. to DM2.36bn. during the first quarter (1976 DM2.54bn.). This followed a 10 per cent. fall in the group's turnover during 1976, from DM13.08bn. in 1975 to DM11.79bn.

World-wide operating profit dropped by nearly half, from DM599m. to DM302m. last year, but the company is proposing a DM7 per DM50 share dividend for last year, and Herr Egon Overbeck, the chairman, said here that last year's disappointing results must be placed in context. There had been a decline in most areas of the group's business, and in these circumstances Mannesmann could feel some satisfaction that it had through steady structural evolution been able to withstand a difficult year in relatively good shape. Herr Overbeck said it was more accurate to compare 1976 with 1974 (turnover: DM 12.4bn.), rather than with the exceptionally good year of 1975.

The year 1977 as a whole could be expected to show a "perfectly normal" result, though the chairman made clear that he was not predicting any increase in profits. The positive side of the current year so far has been a 15 per cent. increase in production of large pipe, and an improvement in the order position in some branches of machinery and machine tool building—though Demag, the largest of Mannesmann's subsidiaries in this sector, reported an 8 per cent. decline in new orders compared with the first quarter of 1976, with export interest especially weak.

Herr Overbeck did not conceal the fact that 1976 had proved even worse than the Mannesmann Board's expectations. Pipe production, at 2.9m. tons, was the lowest in five years, while turnover was down in virtually every branch. Some 2,600 workers are currently on short time, mainly in the steel-making division, and this figure is expected to be roughly doubled. Work in hand varies between three and eight months.

Mannesmann is hopeful of securing several large new orders, however, including one of up to 500,000 tons of pipe for a projected natural gas pipeline from Mexico to the U.S., a similar sized contract for the planned Canadian-U.S. Arctic gas line, and a smaller contract with Algeria. In addition, the company is hopeful of new orders from the Soviet Union, with which it has long done major business.

Given the longer term prospects for large pipe, Herr Overbeck said, Mannesmann felt it was right to have gone ahead with its new plant to produce such pipes at Muelheim. This accounted for the lion's share of the company's domestic new investment last year.

CANADIAN NEWS

Brascan profit doubles to $33m.

BY JAMES SCOTT

TORONTO, June 2.

BRASCAN, the Toronto based investment management company whose principal subsidiary generates and supplies electrical energy in Brazil, and which also has *major investments in a number* of Canadian companies engaged in the petroleum, brewing and mining industries reports a profit for the three months ended March 31 of $33.2m. (U.S. dollars) or 1.24 a *share compared with $16.1m. or* 62 cents a share a year earlier. Revenue increased to $381.9m. from $312.8m.

The improved profit resulted mainly from the operations of subsidiary Light Services de Electricidade the Brazilian electrical company, which generated a profit of $34m. up from $26m. a year earlier. This resulted from the fact that the Brazilian utility was granted an average rate in crease of 36 per cent. in January. In spite of this increase Brascan says the Government *is not permitting the* utility to charge rates that are *high* enough to adequately finance its activities and discussions are being held with the Government for further rate increases.

Brascan's Canadian operations did not fare as well during the first quarter of this year running a *loss of $700,000, a turn round* into the red of $1.7m. Income from the Canadian natural resource investments showed a considerable improvement but lack of rainfall forced the Canadian utility Great Lakes *Power Corporation to rely on* power purchased from Ontario Hydro to supply its customers in Northwestern Ontario. This resulted in a loss for Great Lakes.

Brascan said it is changing its approach to dividend payments. Higher dividends should *be distributed to holders of the* common shares.

Sharp fall in Massey profit

STRIKES at its plants in England and France resulted in Massey-Ferguson of Toronto reporting a dramatic reduction in profit for the six months ended April 30 to $U.S.5.2m. or 1c. a share, from $53.8m., or 2.81c. a share *in the corresponding* period a year earlier. Revenue *totalled* $1.15bn. dollars compared with $1.21bn.

In addition to the work stoppages in England and France production was disrupted at many *of* its plants in North America and Europe because of *the introduction of new products.* Cutbacks were also necessary at its Brazilian plant to reduce the backlog of farm machinery caused by a temporary constraint on farm credit in that country.

Japan's shipyards will 'do badly' this year

BY DOUGLAS RAMSEY

TOKYO, June 2

JAPAN'S SHIPBUILDERS were crying wolf last year by the looks of their 1976 results. Most leading companies have reported record sales and profits. Only Mitsui Engineering and Shipbuilding did much worse with a 34 per cent. drop in net profits. *Not surprisingly, the 1976 reports* have been couched in lengthy press releases which make the point that Japan's shipyards will do badly in 1977. The Japan Ship Exporters' Association, meanwhile, said yesterday that the backlog of ship orders had fallen 45 per cent. in the last 13 months to about 11.6m. gross tons on April 30.

It is hard to tell just how well Japan's shipbuilders did in 1976 because the leading companies depend for only a portion of their sales on ships. At the biggest, Mitsubishi Heavy Industries, that dependence fell slightly to 36 per cent. last year, so other heavy machinery is *largely responsible for* the company's 13.5 per cent. increase in sales to Y1,220bn. (MHI reports that its ship and iron works sales were up 6.7 per cent. in the period). At Ishikawajima-Harima Heavy Industries (IHI), sales were up 11.4 per cent. to Y696bn. but the ships component *of sales rose from 37 to 45 per* cent. *of* overall sales (mostly on the strength of exports which were up 52 per cent.). At Mitsui Engineering and Shipbuilding, *ship sales rose to Y172bn.* (up 18 per cent.) but failed to keep Mitsui's total sales from declining 2.4 per cent. to Y295.5bn. This boosts Mitsui's reliance on *ship sales to well over the* previous 54 per cent.

Hitachi *Shipbuilding* and Engineering, which depends for about 50 per cent. of its sales on ships, kept on even keel in 1976 with its 1 per cent. rise in sales to Y332bn. The two other leading shipbuilders, Kawasaki Heavy Industries and Nippon Kokan, depend less on ships for annual sales (30 per cent. at Kawasaki, 10 per cent. Nippon Kokan). *Nevertheless,* Nippon Kokan's ship sales declined by 2.8 per cent., while at Kawasaki they rose slightly but not in keeping with the overall *10* per cent. increase in sales to Y540bn. for 1976.

Sales at the shipbuilders were record highs except for Mitsui and *Nippon Kokan's* ship division.

Mitsubishi boosted *net profits* from Y15bn. to Y17.9bn., a rise of 21 per cent. The company points out, though, that current profits were up more than 50 per cent. for the year. IHI also boosted current profits by nearly *50 per cent., and* its net earnings were up 23.5 per cent. to Y11.7bn. *Meanwhile,* Kawasaki did similarly on both profits accounts, with its net rising 21 per cent. to Y13bn. for the year, and current earnings 51 per cent. But for sheer increase, Hitachi did best in 1976 with a 35 per cent. increase to Y5.2bn., although the company did marginally worse than its competitors with a 42 per cent. rise in current earnings.

Mitsui, alone, seems to have done poorly in 1976. Net earnings fell by 34 per cent. to Y... and this despite the 18 per cent. rise in ship sales. The company blames the showing on ... Middle East plant contracts ... insists that the drop was expected because of bloated profits in 19... But neither would explain why the company is now predicting an even worse year in 1977 with stagnant sales and a 45 per cent. *drop in current earnings,* while other shipbuilders (except ...) forecast better sales and pro...

For sure, all the big shipbuilders are hurting in 1977 and things will get worse *in* ... Order backlogs have plunged at *most of the yards,* notably Mitsubishi where they are down by 33.7 *per cent. on* a year ... Only Hitachi seems to have weathered this trend, with its ship-order books virtually unchanged and still accounting for 64 per cent. of the company's total orders (25 per cent. at Mitsubishi, 32 per cent. at IHI, ... per cent. at Mitsui).

EUROBONDS

$200m. issue by Sweden

BY MARY CAMPBELL

THE KINGDOM of Sweden's *long expected issue* was launched yesterday. It is $200m. in two equal tranches one for five years (bullet) offering an indicated 7¼ at a discount of up to one per*centage point and the other for* ten years (average life 8.2 years) offering an indicated 8¼ per cent. at par. Crédit Suisse White Weld heads the eight-strong management group.

On a pricing of 99, the terms of the five-year tranche would be identical to those on the *EEC's recent offering* which was quoted in the secondary market yesterday at 97¾/8¼, unchanged from Wednesday.

The initial reaction in the market yesterday to the ten-year tranche was that the terms *looked attractive.* There is nothing directly comparable among recent issues, but Bell Canada's $100m. 7¾ per cent. ten-year bullet issue was quoted yesterday at 100/100½ per cent. and Ontario Hydro's $125m. 8 per cent. issue (also a bullet) at 99½/*100½.*

Perhaps more relevant—as an experience which Sweden may be particularly anxious to avoid on its first ever dollar-denominated Eurobond issue—is the fact that the seven-year tranche of the *EEC issue is currently quoted at* 97¼/¾. From the point of view of a retail purchaser buying at, say, 97½ the seven-year EEC offers a yield of 8.23 per cent., and there is not much buying interest around that at this level.

A further attraction is that the sinking fund will start in the first year and *will* retire $4m. in each of the first nine years.

The Jusco issue has been priced at par on a 6 per cent. coupon giving a premium of 7.623 *per cent.* over the June 1 closing price of the shares of Y1220. *Unofficial quotations yes*terday were in the 96½-7½ range. The exchange rate has been set at Y277.40 per dollar for the purposes of the issue.

Still buoyant at SIA

BY H. F. LEE

SINGAPORE, June 2.

LIVING up to its reputation as Asia's most successful airline, *Singapore Airlines (SIA)* has again reported another buoyant year with profits significantly higher.

Gross operating surplus for the year ended March 1977 rose 120 per cent. to $S99m. This was achieved through a 24.6 per cent. increase in operating revenue to $S867m. against a slower expansion of 18 per cent. to $S768m. in operating expenditure.

At the after tax level, net *profit* amounted to $S26m., 4 per cent. higher than the previous *year.*

SIA attributed the wide difference between the operating surplus and the after tax profit to a number of factors, some of which are non-recurring.

Apart from taxation which took up $S17m. a major item was increased depreciation *charges of $S28m. as a result of* the company's decision to *accelerate depreciation on its* Boeing 747 aircraft.

Another major item was $S14m. for arrears due from the increase in the cost of provisions for overhaul of the Boeing 747 JT9D jet engines. Overhaul cost has increased by almost 100 per cent. to $S1,000 per aircraft hour. There was also net finance *charges of $S20m.,* nearly $S5m. more than the previous year.

SIA also disclosed that its available capacity rose by 19.1 *per cent. to 1,287m.* capacity tonne-kilometres while traffic carried increased at a faster pace of 23.1 per cent. to reach 838m. revenue tonne-kilometres.

Hong Kong to probe dealings

By Daniel Nelson

HONG KONG, June 2.

HONG KONG'S Securities ... change Commission indicated to-day that "some form of *examination*" would be ... into share dealings in connection with the proposals for ... colony's biggest ever merger between Hutchison International and *Hong Kong* ... Whampoa Dock. About ... *Hutchison* shares changed hands on the day before ... announcement.

The controversy over ... deal will almost certainly ... used to support the case of those advocating the introduc*tion of legislation* to make insider trading illegal. ... Commission is known to ... the attitude that ignoring ... encourages further abuse.

Bill Wyllie, Chief Executive of Hutchison, chairman of Hong Kong and Whampoa ... a director of China Provident, *one of the dock company's* main subsidiaries stressed ... because of the operation ... the Group's own rules ... sure no Board members ... been trading. He welcomed ... inquiry.

Share *dealings in the* ... firms involved in the merger talks were suspended at their own request yesterday, ... dealings in China Provident as well as in City and ... Properties, continued.

Three days ago, China Provident told the Hong Kong Stock Exchange *that it* was unaware of any special reason for ... rise in its share price ... company source pointed ... yesterday that it had not ... *involved in the merger* ...

For several days before ... *merger announcement* ... had been speculation ... *Hutchison* was planning ... rationalisation of its ... subsidiaries in Hong Kong ... it had done in Australia ... Europe.

INTL. FINANCIAL AND COMPANY NEWS

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EUROCURRENCY BORROWING

A fourth institution suggested

BY MARY CAMPBELL, EUROMARKETS EDITOR

THE ESTABLISHMENT of a fourth institution within the World Bank group to channel Eurocurrency funds to less developed countries (LDCs) is suggested in a 450 page study of their Eurocurrency borrowing, published recently under the aegis of the OECD. The suggestion is made in the context of efforts to improve co-operation between official institutions such as the World Bank and private sector banks in their approach to third world debt and borrowing problems.

The study notes that multilateral institutions have in certain cases guaranteed Eurocurrency loans by private sector banks but that schemes involving such guarantees "usually founder because of the problems of insuring that the private lenders act prudently." If multilateral or bilateral guarantees are possible it suggests that "perhaps they would be more effective protecting depositors in a bank designed to re-lend to developing countries. If there are good reasons for the International Bank for Reconstruction and Development not to accept such deposits, perhaps it could add to the International Finance Corporation and the International Development Association another member of the group which could intermediate."

Alternatively, if this fourth institution within the World Bank group proves "impolitic," the study suggests that interested parties might establish a single bank or constellation of banks to serve specific groups of borrowers, perhaps using the consortium bank as a model.

Shareholders might include multilateral institutions, governments of OECD countries, governments of developing countries and private sector international banks. The institutions could accept Eurocurrency deposits with the guarantee of some or all of the member shareholders, and would extend to LDCs. It could draw on the knowledge of the multilateral institutions for credit analysis and be subject to their direction in its decisions to lend.

The bulk of the study is concerned with chronicling and analysing the use made by the LDCs of the Eurocurrency market. It arose from an effort in mid-1972 to help frame Zambian policy towards the market when the author was working in the Zambian Ministry of Finance in mid-1972. Despite the flow of funds to LDC borrowers, very little is known about how and why funds are raised.

Claiming to be "the first published study to examine the experience of the borrowers and their countries," it includes a short account of the way the international banks arrange Eurocurrency medium term credits. The bulk of it, however, comprises in depth studies of 11 countries' experiences in relation to the market. The 11 countries—Brazil, Zaire, Ivory Coast, Panama, the Philippines, Indonesia, Colombia, India, Kenya, Nigeria and Singapore—are divided into two groups—"eager" borrowers, and "ambivalent" borrowers in order to *illustrate differing experiences of* the market.

The study explodes a number of myths and also goes far to confirm many views widely held in the market. A myth exploded is the frequently asserted view that countries like India are not good enough credit risks to borrow openly in the Euromarket. "International bankers bring an active interest in lending to India," the study says, "at one point their unsolicited Eurocredit offers to the country exceeded $250m. Their interest did not evaporate after the oil crisis changed the market. . . It is the [Indian] Government which has prohibited these Eurocredits and its ban has been almost absolute."

The Indian case also illustrates the problem of Eurocredits competing with, rather than complementing, project aid: "Commercial bankers want bankable projects; donors too prefer projects . . . India's Government finds that the great shortage of external *funds is in untied* non-project aid rather than in profit-making projects."

Of particular interest to the banking world is the author's documentation of the view that international bankers mostly have themselves to blame for problems they have experienced with some LDC borrowers. Although not stated in so many words, the view shines through the analysis of the Pertamina crisis and the problems of Zaire. International bankers knew the nature of Pertamina's financial *management in 1972 and 1973 it* says.—Warnings were broadcast as early as mid-1973, yet Pertamina was able to multiply its debt thereafter. International bankers "knew Pertamina and the Government's departments were working not in tandem but even in opposition. The caution this knowledge would dictate manifested itself not on in decreased volume but in higher rates."

The study also suggests that the profit motive was a major factor pushing banks beyond the bounds of prudence in the case of Zaire, which continued to pay spreads of 1¾ per cent. when other countries were offering much less.

Concluding the section on that country the study says: "The chronicle of Zaire's Eurocurrency borrowing, like so much of that country's history since colonial times, is a cautionary tale. In contrast to Brazil, Zaire in this analysis stands as an example of what not to do for lenders and debtors alike."

* *Borrowing by Developing Countries on the Euro-currency Market, by P. A. Wellons; published by the Development Centre of the Organisation for Economic Co-operation and Development, 2, rue Andre-Pascal, 75775 Paris CEDEX 16 France; £9.80.*

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MEDIUM TERM LOANS

Panama loans raise $100m.

BY FRANCIS GHILES

THE REPUBLIC of Panama has raised its biggest ever medium term loan: $100m. in equal tranches, one for five years carrying a spread of 1¾ per cent., the other for five years carrying a spread of 2 per cent. The proceeds are earmarked for the 1977 portion of investments in the Republic's development plan.

Private investment has been falling in the country since 1973 when it reached $300.4m. In 1974 it was down to $278.8m., in the following year to $224.8m. and last year it had reached the 1972 levels of $218.8m. The Government and its agencies have thus led to increase their share and pushed up their investments from $88.7m. in 1972 to [illegible]m. in 1975 and $322.7m. last year.

Panama has been hit, of late, by a number of adverse factors, such as the recession in developed countries, the depressed prices of some of its export commodities, particularly sugar, and the soaring cost of imports.

This has slowed domestic activity: real growth in GDP declined from 6.5 per cent. in 1973 to 0.6 per cent. in 1975.

BORROWING POSITION WITH THE IMF (in millions of SDR's)	Total Available	Used
Gold Tranche	9.0	9.0
Credit Tranches	52.2	—
SDR Allocation	12.3	7.7
Oil Facility	24.6	24.6
Compensatory Financing Facility	18.0	18.0

Provisional figures of GDP by sector show a decline in agricultural sector output from $183.6m. in 1975 to $152.6m. in 1976. Sugar is a major culprit.

In response to higher world prices the Government sugar corporation saw its export earnings climb from $5.9m. in 1971-1972 to $48.3m. three years later, only to slump to $30m. last year as prices fell. Four mills are due to come into operation by the end of next year which will increase sugar export capacities threefold to 177,200 metric tons. These figures underline the serious financial straits the Republic will find itself in if worldwide the price of sugar does not recover.

Income from the Panama Canal tolls stood at $134m. last year, one-third up on 1972 figures, but it goes to the U.S. which only pays an annual $2.328m. for its use to Panama. Negotiations are in progress to work out a new Canal Treaty but are unlikely to be concluded this year. The difficult situation Panama finds itself in is reflected by other figures: GDP has only increased marginally in the past two years to $2m. in 1976. Manufacturing production has steadily fallen, from $184.6m. in 1973 to $17[illegible]m. last year.

The balance of payments has also been steadily deteriorating and the country's external funded debt doubled to $882.6m. between 1973 and 1976. Panama's position with the IMF has also taken a turn for the worse, the country having drawn over half what it is entitled to (SDR £161bn.).

As the Panamanian Government prints no paper currency, U.S. paper currency and U.S. and Balboa coins serve as the currency in circulation. Government policy is to maintain parity between the Balboa and the U.S. dollar. Therefore, the country's money supply is directly related to its balance of payments and to its ability to borrow externally.

Property moves in Holland

By Quentin Guirdham

BRITISH estate agent Richard Ellis stated in London yesterday that its Amsterdam office had acted for a consortium of local private investors in acquiring a major property portfolio from the Government savings bank of the Netherlands, the Rijkspostspaarbank. Value of the portfolio was put at around £40m. (Fls.169m.).

This would rank as one of the largest property portfolio sales in Europe during the past three years.

The properties concerned include a 6,000 square metre office building in Amersfoort, a shopping centre in Breda, and a residential content totalling 550 houses and 1,250 apartments spread throughout the country.

The Dutch property market has shown relative stability during the last year, with continuing interest from institutions in buying prime investments. But the size of this transaction is exceptional, as is the presence of a British agent in concluding a deal between two Dutch parties.

Profits up at MAIBL

By Michael Blanden

MIDLAND AND International Banks (MAIBL) report net profits after tax and transfers to inner reserves up from £2.37m. to £2.89m. for the year to end March 1977.

The Bank, which is the oldest of the London consortium banks, is also increasing its share capital from £10m. to £15m. by a scrip issue to the banks that are its shareholders. MAIBL is transferring £2m. from its inner and undisclosed reserves to published reserves.

It is then capitalising £5m. of its reserves by issuing shares on a one-for-two basis to the shareholders. These are Midland Bank with 45 per cent., Toronto Dominion Bank (26 per cent.), Standard Chartered Bank (19 per cent.) and Commercial Bank of Australia (10 per cent.).

Lord Armstrong, the chairman, reports that the Bank's assets reached £895m. compared with £799m. in the previous year of which £494m. was used in terms of lending. He reports that profits so far this year have run ahead of last time and looks forward to another satisfactory result.

American Airlines

AMERICAN AIRLINES has reported net earnings of $7.2m., or 22 cents a share in April, its highest-ever April earnings. In the same month last year, it has net earnings of $5.2m.

SWISS BANKING

A "good-repute" agreement

BY JOHN WICKS IN ZURICH

[illegible]ABLE identification of clients and prevention of [illegible] of banking secrecy are aims of an agreement coming into force today by the Swiss National Bank and the Swiss Bankers Association. The agreement, which comes into force July 1 and will last for an initial period of five years, is designed to "maintain Switzerland's good reputation as a financial centre" as well as to combat white-collar crime and protect standards of good bank management.

Provisions

The provisions of the agreement apply without restriction to accounts and security deposits designated by numbers or passwords only, as well as to normal accounts and deposits.

In regard to identification, the agreement lays down guidelines for what is called the "avoidance of care in respect of acceptance of funds." The banks undertake not to open accounts and security deposits, effect fiduciary investments or provide safe-deposit services unless they have identified with such care as can be reasonably expected, the beneficial owner of the funds in question or the renter of the safe deposit. The banks also undertake not to transact any business if it is known, or ought to be known to them, that the sums entrusted to them for the purposes considered to be improper within the meaning of the agreement.

If the client acts through a person, bound by law to observe professional secrecy, or through a trustee the bank will call for a written statement from the intermediary that the owner is known to him, and that no improper transactions are involved. This, however, can be dispensed with if the bank was able to assume that these pre-conditions are fulfilled. Also, no written statement is required for accounts and securities deposits of domestic and foreign banks.

In case of doubt, a written statement will be required from a client as to whether an account or securities deposit is to be opened for his own account or for that of a third party; in the latter case he will be asked to identify the party involved.

Where domestic or foreign companies are involved which have been "registered merely to establish legal domicile" banks will call for commercial-gazette or similar identification of the company in question and, if this is not already known, details of corporate control or the identity of controlling individuals.

In respect of existing customers, holding accounts and/or securities deposits in excess of SwFr.1m. the identification requirements are to be fulfilled by July 1, 1978.

Another important section of the agreement is intended to counter the aiding and abetting of fugitive capital movements, evasion and similar transactions. Here, the banks undertake not to aid and abet, in any actual way, capital transfers from countries with legislation restricting the investment of sums abroad.

IN THE absence of any detail, U.S. authorities were generally reluctant to comment on the new Swiss Convention, reports our New York staff.

The Securities and Exchange Commission, is the one U.S. agency which fairly regularly runs up against the curtain for secrecy erected by Swiss banks and an official there said that he hoped that their attitude might now be a little more open than in the past.

LIMIT

LIMITE

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

	Bid	Offer
Norsk Hydro 9pc 1992	[illegible]	[illegible]
Oslo 9pc 1988	[illegible]	[illegible]
Pepsico 8½pc 1981	[illegible]	[illegible]
Prov. Quebec 9pc 1994	[illegible]	[illegible]
Prov. Saskatchew. 8⅝pc 1986	[illegible]	[illegible]
Quebec Hydro 9½pc 1992	[illegible]	[illegible]
Reed International 9pc 1987	[illegible]	[illegible]
Shell Canada 9pc 1981	[illegible]	[illegible]
SKF 8pc 1987	[illegible]	[illegible]
United Biscuits 9pc 1989	[illegible]	[illegible]
Volvo 8pc 1983	[illegible]	[illegible]
Volvo 8pc 1987 March	[illegible]	[illegible]
NOTES		
Australia 8½pc 1983	[illegible]	[illegible]
Bell Canada 7½pc 1987	[illegible]	[illegible]
Dow Chemical 8pc 1986	[illegible]	[illegible]
Michelin 8½pc 1983	[illegible]	[illegible]
Montreal Urban 8½pc 1981	[illegible]	[illegible]
New Zealand 8pc 1986	[illegible]	[illegible]
Nippon Fudosan 8pc 1981	[illegible]	[illegible]
Norway 7¾pc 1982	[illegible]	[illegible]
Ontario Hydro 8pc 1987	[illegible]	[illegible]
Swed. State Co. 7¾pc 1982	[illegible]	[illegible]
Venezuela 9pc 1984	[illegible]	[illegible]
Volkswagen 7¾pc 1987	[illegible]	[illegible]
D-MARK BONDS		
FLOATING RATE NOTES		
CONVERTIBLES		
American Express 4¼pc '87	[illegible]	[illegible]
Beatrice Foods 4½pc 1992	[illegible]	[illegible]
Broadway Hale 4½pc 1987	[illegible]	[illegible]
Carnation 4pc 1987	[illegible]	[illegible]
Chevron 5pc 1988	[illegible]	[illegible]
Eastman Kodak 4½pc 1988	[illegible]	[illegible]
Ford 5pc 1988	[illegible]	[illegible]
General Electric 4¼pc 1987	[illegible]	[illegible]
Gillette 4¾pc 1987	[illegible]	[illegible]
Gould 5pc 1987	[illegible]	[illegible]
Gulf and Western 5pc 1988	[illegible]	[illegible]
Harris 5pc 1992	[illegible]	[illegible]
Honeywell 6pc 1986	[illegible]	[illegible]
ITT 4½pc 1987	[illegible]	[illegible]
J. Ray McDermott 4¾pc '87	[illegible]	[illegible]
Mitsubishi Elec. 7pc 1991	[illegible]	[illegible]
J. C. Penney 4½pc 1987	[illegible]	[illegible]
Revlon 4½pc 1987	[illegible]	[illegible]
Reynolds Metals 5pc 1988	[illegible]	[illegible]
Sperry Rand 4¾pc 1987	[illegible]	[illegible]
Texaco 4½pc 1988	[illegible]	[illegible]
Union Carbide 4½pc 1982	[illegible]	[illegible]
Warner Lambert 4½pc 1987	[illegible]	[illegible]
Xerox 5pc 1988	[illegible]	[illegible]

Source: Kidder, Peabody Securities.

BRAZILIAN INVESTMENTS S.A.

Net Asset Value per Depositary Share as of 31st May, 1977

U.S.$39.66

The London Stock Exchange

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Index dips 3.4 on lack of support

BY OUR WALL STREET CORRESPONDENT

NEW YORK, June 2.

FURTHER EARLY firmness lacked follow through support on Wall Street to-day, and the Stock Market resumed its downward trend with inflation fears again the chief market factor.

After opening a further 3.30 up at 909.85, the Dow Jones Industrial Average reacted to 903.15, for a *net loss of 3.40. The NYSE* All Common Index dipped 9 cents to $52.88, after rising 8 cents to $53.05, while losses and gains were about equal at 696-to-686. Trading volume expanded *300,000* shares to 18.62m.

Analysts said the brief recovery was aided by indications that the Federal Reserve would hold the line on credit policy after a recent tightening that drove interest rates higher. However, they said investors continued uncertain about the economic outlook for the second half year, rising inflation and the likelihood of further *interest rate increases* later in the year.

Late in the session, the Commerce Department reported that *Retail* Sales in the latest week were unchanged from a week earlier. Last week's sales were *up 10 per cent.* from the year-earlier week but trailed the 11 per cent. aveage year-to-year gain of the four most recent weeks.

Twentieth Century-Fox were active and up $¾ to $18¼, reflecting interest in its success of its new movie "Star Wars."

Proler *International* were down $3¼ to $23¼ on "sharply" lower April quarter net earnings.

Smithkline also were active and off $½ at $32 — a study conducted for the U.S. showed the *development of benign tumors in rats* given its new drug Tagamet for the treatment of peptic ulcers.

IBM shed $1½ to $246¼. Texas Instruments $¾ to $85½ and Polaroid $¼ to $29¼.

Some Oils and Related issues as well as Chemical stocks came under pressure. *Exxon* shed $¾ to $50¾. Continental Oil $1¼ to $32¼, Atlantic Richfield $½ to $57¼, *Mobil $¾ to $64¾ and Schlumberger* $¾ to $62¼.

The American SE Market Value *Index was down .06 to 112.25.*

THURSDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Dow Chemical	409,600	34½	−¾
Twentieth Cent.-Fox	395,000	18¾	+¾
Union Carbide	350,300	50½	−¼
Smithkline	189,200	32	−½
Caesars World	167,800	9¼	−¼
Del. E. Webb	147,200	10	+¼
Texas Utilities	146,900	20¼	+¼
Continental Oil	130,000	32¼	−1¼
Diamond Shamrock	127,500	34½	−¾
Amer. Home Produs	126,900	28¼	+¼

Canada mixed

Prices on Canadian Stock markets showed no clear trend in light trading yesterday.

The Metals and Mines index closed 14.3 down at 1,030.4, while Golds lost 5.5 to 961.3 and Oils and Gas 3.9 to 1,083.5. Banks, Utilities and Papers all posted gains.

IU International, the most active Toronto industrial, rose $C¼ to $C13¼ on 35,000 shares.

OTHER MARKETS

PARIS — Mainly steady after regaining early falls in thin trading.

Banks, Constructions and Foods were mixed, while Engineerings, Motors and Publishers were slightly firmer. Stores were strong.

U.S. stocks *were firm, Germans* and Dutch issues easier, while Golds were well maintained.

GERMANY—Weaker in nervous trading despite the prospect of a settlement to the Rhineland-Palatinate *chemical workers* dispute.

Lufthansa rose DM1.50 to 108 *and the Preference put on* DM0.30.

Steels were little changed. *Mannesmann* gained DM0.80 to 157.8 following its chairman's forecast of a reasonable result this year, which helped dispel Wednesday's fears about the company's performance.

Other issues lost up to DM3 but, in Motors BMW dipped DM4.5 to 244.5 and, in Stores, *Karstadt* also fell DM4.50 to 345.

SWITZERLAND — Slightly higher.

Leading Industrials gained ground on light demand from abroad. Banks were narrowly mixed, while Insurances were very steady. Financials were *narrowly mixed.*

Swissair put *on Frs.10 to 699* on "good" buying.

Dollar stocks firmed slightly in generally light volume, Dutch *Internationals* were barely steady, while Germans fell.

AMSTERDAM—Slightly firmer *in quiet trading, although* in Dutch Internationals, Philips and Royal Dutch shed Fls.0.30 and *Fls.0.40 respectively.*

Most Banks, Trading and Industrial stocks rose. Shippings *fell, with the exception of KNSM,* while KLM also rose Fls.1.50 to Fls.106.5.

Insurances were mixed.

State Loans improved.

BRUSSELS—Quietly mixed, with losses slightly outweighing *gains among major Belgian* stocks.

Hoogovens were firm in otherwise little changed Dutch issues. *U.K. stocks were quiet, Germans* lower and Canadians eased.

Gold Mines were generally firm *and American issues rose.*

MILAN—Stocks eased to 22-year lows in thin dealings, with market nervousness accentuated by the political and economic uncertainty.

Almost all leading Industrials and *Financials fell. Generale* Immobiliare eased, despite final constitution of a Banking Con*sortium to back its Bond issue.*

SPAIN—Market was weak, with index falling over one point to a new 1977 low of 87.47. Selling affected all sectors, especially Banks.

OSLO — Banks, Insurance, Shippings and Industrials were all quiet.

VIENNA—Generally steady.

COPENHAGEN—Mixed in fair dealings.

TOKYO—Generally lower, led by Blue Chips and popular issues in dull trading in the absence of new *factors.* Volume 140m. (230m. shares).

HONG KONG—Market firmed further in active trading in re*action to merger plans between* Hutchison and Hong Kong Dock, although profit-taking pared early gains.

Hutchison and Hong Kong Dock were each suspended at the companies' request.

JOHANNESBURG—Gold shares were generally higher, although selected issues were off the top. Earlier firmness was prompted by overseas advices but lack of scrip inhibited trade later.

Financial Minings were selectively firmer after a slow start.

Coppers and Platinums were dull and generally at previous levels.

Industrials were *steady in* featureless trading.

AUSTRALIA—Firmer but below day's highs, with Uraniums strong.

Peko-Wallsend rose 14 cents to $A5.98, while Pancontinental gained 70 cents to 11.20.

BHP put on 2 cents to 6.72, CSR 5 cents *to 3.60* and ICI Australia 3 cents to 1.88.

Thiess fell 5 cents to 2.15.

Indices

NEW YORK—DOW JONES

N.Y.S.E. ALL COMMON

June 2	June 1	May 31	May 27	1977 High	1977 Low
52.88	52.97	52.66	52.58	57.87 (4/1)	52.56 (31/5)

Rises and Falls	June 2
Issues Traded—1,875	Up—686
Down—696	Same—493
New Highs 50	New Lows 62

STANDARD AND POORS

MONTREAL

TORONTO

JOHANNESBURG

OVERSEAS SHARE INFORMATION

NEW YORK

CANADA

GERMANY

TOKYO

AUSTRALIA

BRAZIL

OSLO

JOHANNESBURG

AMSTERDAM

BRUSSELS/LUXEMBOURG

PARIS

SWITZERLAND

COPENHAGEN

STOCKHOLM

MILAN

VIENNA

SPAIN

Pound steady

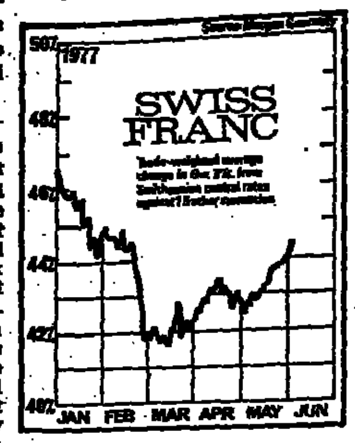
The exchange market was quiet yesterday with no heavy volume anywhere. Sterling was steady, although it slipped back for technical reasons ahead of the Jubilee Holiday week-end. There was no pressure and no Bank of England support was evident.

The pound opened at $1.7188-1.7197 and quickly slipped back to $1.7175-1.7180 before closing at $1.7170-1.7174. Its trade-weighted average index on the basis of the *Washington Currency Agreement* of December 1971, as calculated by the Bank of England, fell back to 61.5 from 61.7 after standing at 61.6 at noon and in early dealings.

There was a little activity in forward *sterling* and *discounts* against the dollar continued to narrow. The three-month pound finished at 2.00 cents discount compared with 2.15 previously and the discount for 12-month delivery narrowed to 6.57½ from 6.92½.

The U.S. dollar showed little change against most major currencies, and its trade-weighted average depreciation since the Washington Agreement, as calculated by Morgan Guaranty of New York, weakened slightly to 0.96 per cent., from 0.94 per cent. The Swiss Franc's appreciation improved to 44.43 per cent. from 44.05 per cent.

Gold fell to the lowest rate since early March following Wednesday's International Monetary Fund auction, the results of which slightly disappointed *some* operators. *The metal* fell $2½ to $141¼-142¼.



SPECIAL DRAWING RIGHTS RATES

One SDR is equal to	June 2	June 1
Sterling	0.676457	0.675462
U.S. dollar	1.15195	1.16112
Belgium franc	41.8476	41.9222
Deutschemark	2.73523	2.74117
French franc	5.74003	5.73826
Italian lira	1028.86	1028.26
Japanese yen	321.395	321.979
Dutch guilder	2.85898	2.86564
Swedish krone	5.09166	5.09964
Swiss franc	—	2.90919

Values are for currencies against the SDR as calculated by the International Monetary Fund in Washington.

EXCHANGE CROSS-RATES

EURO-CURRENCY INTEREST RATES*

GOLD MARKET

FOREIGN EXCHANGES

OTHER MARKETS

FORWARD RATES

FARMING AND RAW MATERIALS

Brazil soya export tax attacked

By Sue Branford

SAO PAULO, June 2.

[illegible] STANDSTILL in Brazil's soybean exports is greatly con[illegible]ning traders. Sr. Sinval [illegible]zelli, the Governor of Rio [illegible]nde do Sul, the leading soya-[illegible]n producing state, has unex[illegible]tedly travelled to Brasilia to [illegible]uss the problem with the [illegible]eral Government.

[illegible] is expected that the Gover[illegible] will be requesting the total [illegible]ination of the export tax, [illegible] standing at 12 per cent. [illegible]ch is thought to be pushing [illegible] price of Brazilian beans up [illegible]n unrealistically high level. [illegible]r. Jorge Babot Miranda, State [illegible]retary for Agriculture, said: [illegible]r concern is very great [illegible]ause only 600,000 tonnes, out [illegible] l.3m. available for export in [illegible] state, have been sold. And [illegible]e are no more shippings [illegible]ned for June. We just have [illegible] and August in which to sell, [illegible]ch is really very little time." [illegible]ceex, the Bank of Brazil's [illegible]rt agency, is gradually [illegible]horising again exports of [illegible] oil. Manufacturers must [illegible]ide it with complete in[illegible]ation on stocks, volume of [illegible]s crushed, exports and [illegible]estic sales before authorisa[illegible] will be granted. As yet, [illegible]ut of about 100 exporters, [illegible] been granted export [illegible]ces, as only they have pro[illegible]d data considered adequate [illegible] Cacex.

Sugar pact talks failure 'was tragic'

By Our Own Correspondent

GEORGETOWN, May 31.

[illegible] FRANK NOEL, who led [illegible]na's delegation during the two weeks of the [illegible]ponsored International [illegible]r Conference, has blamed [illegible] big countries for the failure [illegible]e meeting to produce a new [illegible]rnational sugar agreement.

[illegible] Noel said, in a statement [illegible]d here, that while the big [illegible] importers and exporters [illegible]d to agree on vital aspects [illegible]e proposed new agreement, [illegible]y seemed to be at one in [illegible]rating the aspirations of the [illegible]ler developing countries [illegible]rely heavily on sugar export [illegible]ngs."

[illegible] felt that it was "tragic" [illegible] developing nations had had [illegible]or the "fantastic cost" of [illegible]ng delegations to Geneva [illegible]hree separate conferences [illegible] yet had been unable to [illegible]n an agreement.

Tate and Lyle Refineries is [illegible]ing for outline planning [illegible]ssion to build a £12m. fac[illegible] at Kirkby, near Liverpool, [illegible]ake sugar-based chemicals, [illegible]s Reuter.

Jubilee holiday brings egg price cut

BY OUR COMMODITIES STAFF

THE QUEEN'S Jubilee celebrations are to bring an accidental bonus for housewives and a further blow for egg producers in the form of a 3p a dozen price cut on all grades.

Bank holidays always hit egg consumption. While the shops are closed the hens carry on laying, and the resulting imbalance forces prices down temporarily.

But this year's extended holiday will place even more strain on the system than usual and marketing organisations have been forced to announce price cuts in anticipation of a significant surplus of supplies developing.

From next Wednesday a dozen standard white eggs should cost around 41p a dozen, the lowest price since before Christmas. The Goldenlay egg marketing consortium noted that this was the second major reduction in three weeks and warned that it would take all producers "firmly into the red." Many could be losing 8-10p on each dozen sold, it said.

Mr. Peter Dean, managing director of Dean Farm Eggs, said the basic reason for the parlous state of the egg market was overproduction following an 8 per cent. increase in the laying flock in the final quarter last year.

With other world egg markets very weak, there is no opportunity for exports to relieve the glut, he said. Mr. Dean said he felt the situation would not improve very quickly. Egg farmers would face serious financial difficulties and continue to go out of business as production costs increased.

"In the long term, this will inevitably lead to much higher prices around the latter part of this year, when eggs will be much scarcer," he said.

Goldenlay said recent financial losses had forced producers to cull many of their older hens and once the resulting cut in output works through to the market "prices must get dearer."

A further encouraging development for the housewife was reported yesterday by the Fresh Fruit and Vegetable Information Bureau. "With weather greatly improved," the bureau said, "the supply of vegetables should be much better than in recent months and prices can be expected to drop towards the end of the month.

The bureau also notes that the inflation rate on vegetable prices is down again. Prices last month were 20 per cent. above prices a year earlier. In April the comparable figure was 30 per cent.

Silkin certain pig aid on way

BY CHRISTOPHER PARKES

MR. JOHN SILKIN, Minister of Agriculture, is confident that next week the Common Market Commission will announce a scheme to help British pig farmers.

It will at least match the national subsidy of 50p a score (20 lbs) which will be scrapped on June 11 by order of the European Court of Justice, the Minister said at Shepton Mallet, Somerset, yesterday.

Speaking at the Royal Bath and West Agricultural Show, the Minister said he was "absolutely certain" that such a scheme would be announced next week.

"Our pig farmers will not be left in the lurch," Mr. Silkin said. British producers have complained that even the national subsidy—worth £3.50 a pig and costing the Exchequer £1m. a week—was not enough. The recent ruling from the European Court that it should be stopped sparked a series of demonstrations.

Mr. Silkin had expected to be confronted by angry farmers at the show, but his visit started quietly.

Most observers had expected an announcement from the EEC headquarters in Brussels on Wednesday. Preparation of the Minister's speech had been held up in anticipation of action in Belgium.

Mr. Silkin said that he thought he had proved his case that the British pig industry deserved special treatment. Some people had suggested that a devaluation of the green pound (a special agricultural exchange rate for sterling against the EEC's unit of account) would help. But the rise in feed costs would more than offset any benefits, he said.

Taking as an example a 7 per cent. green pound devaluation, the Minister noted that this would reduce the monetary compensatory amount import subsidy on Danish bacon by £56 a tonne. At the same time import subsidies on feed grains would drop by £4 to £5 a tonne and feed prices would go up.

And if this increase were passed on in full to the farmers, pig production costs would go up 20p to 25p a score, he added.

"What is really needed is a cut in the subsidy not on imports of cereals, but on imports of pig meat. After all it is the fact that costs have been rising faster than prices that has put our pig industry into its present difficulties," the Minister said.

Soviet grain hopes high

BY DAVID SATTER

MOSCOW, June 2.

SPRING SOWING in the Soviet Union is virtually complete and U.S. agricultural experts believe that the Soviets have good prospects for another excellent harvest.

Official statistics show that by May 30, crops were sown on 144.7m. hectares, which is about 96 per cent. of the available crop land. Of this area, 94m. hectares were drilled with bread grains and leguminous plants, excluding maize.

There was some delay with sowing this year because of an unusually wet mid-and late April in the Ukraine. The sowing of sunflowers, sugar beet and cotton is complete and 93 per cent. of the rice crop has been planted.

Significant quantities of buckwheat, millet and soyabeans, however, are yet to be planted and the sowing of vegetables and potatoes which are planted respectively on 1.21m. hectares and 3.1m. hectares is lagging behind schedule.

The harvest of this year's Soviet winter wheat crop is beginning in areas of Georgia and the Caucasus. American agricultural experts are predicting a harvest of about 50m. tons of winter wheat.

The Communist Party newspaper, Pravda, which reported the sowing figures, said that there has also been inefficiency in the repairing of harvesting equipment, a perennial problem. The newspaper said that in some parts of Georgia, a quarter of the harvesting combines are out of use awaiting repairs.

French halt TV ads for coffee

By John Edwards, Commodities Editor

THE FRENCH Government suspended coffee advertising on television for three months from Wednesday because of the damage done by coffee imports to the country's balance of payments.

It was noted in March that coffee imports at Fr.700m. equalled 60 per cent. of the country's trade deficit for month.

Meanwhile, in the U.S. it was reported that coffee stocks at the end of April had risen to 3.8m. bags—about four months' supply.

This follows an estimated 25 per cent. fall in U.S. roastings so far this year. General Foods confirmed yesterday it was laying off some workers at its coffee processing plants for the summer shutdown, but denied it was closing the plants for a longer period.

On the London futures market yesterday, prices rose sharply in early dealings, but the gains were virtually wiped out in later tradings. The September position closed £4.5 higher at £2,991.5 a tonne after climbing to £3,085 earlier in the day.

The market rose initially on buying interest believed to be mainly covering of sales in case of Brazilian frost damage over the long holiday weekend.

But once this buying ended the market was vulnerable to selling encouraged by a continued lack of physical demand, which also brought a limit-down move in the New York market.

Japanese buying slows copper slide

By Our Commodities Staff

JAPANESE buying interest helped slow a fall in copper prices on the London Metal Exchange yesterday morning when the market had been expected to open lower.

But prices fell back in the afternoon and cash wirebars closed £7.5 down at £761.25 a tonne, before rallying again on the late kerb.

Lead and zinc also lost ground. Cash lead closed £15.25 down at £333.5 a tonne, while cash zinc was £11.5 lower at £313.5 a tonne. However, as in copper, prices rallied in late kerb and inter-office dealings.

U.K. AGRICULTURE

Spring a little later this year

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

BEING RIGHT is one of life's most satisfying experiences. In this column on March 25 I forecast that because the wind was easterly on the 21st, it would be until June 21 and the implication was that we would have a bad spring. How right I have been up to now.

Growth on my farm and in much of southern England has been delayed and, according to the experts, it is at least a fortnight late. The spring-sown barley is struggling to cover the ground and in many fields I can see the soil beneath. Grass is growing very slowly, although there was quite a spurt on some well-fertilised fields early on. But now the sheep are eating it faster than it grows.

The only bright spot is the winter wheat and barley which, after looking miserable until very recently, suddenly picked up and looks well.

The poor growth has been caused by low temperatures as much as drought, although the top soil is drying up fast after the strong east wind of the past few weeks.

Comparison with last year is obvious, but even if we should suffer a similar drought the auguries are rather better. On my farm winter- and spring-sown cereals are thicker and root systems appear to be much better developed, probably reaching down to the moisture in the soil. On retentive soils last winter's heavy rainfall must have made for better root development than after the exceptionally dry winter last year.

Last year the wheat came into ear on May 30 when I started my annual visit to Scotland. This time I couldn't find a single one and this must mean that the ears should arrive about the normal date of June 12 which would give me a much more natural growth pattern and hopefully a better yield than last year's premature crops.

Spring barley has a good deal of progress to make and should not, like last year, come into ear in the first week of June. Once the grain crops are in ear the limit of yield potential has been reached.

I am hopeful that enough warmth and rain in the next couple of weeks will bring the crops on. An encouraging sign was the very warm weather at the end of last week which certainly made a difference to the barley.

The backward spring has not been universal. On may way north, I drove up the A1 and beyond Hertfordshire the crops looked splendid. A farmer in Yorkshire told me they had had two weeks of hot weather which had turned a late spring into a most promising one. It has been no consolation to me to see that the plain of York and even the Isle of Arran looked a lot more promising than my part of Hampshire did early this week.

This is a worrying time for a grain farmer. Every morning the BBC farming news contains official warnings about crop diseases and the growth stages at which they should be treated. At times during every spring barley and wheat show discoloured leaves. They can either be yellow, brown or black or even a mixture of the lot. This means it is either a disease, a *fungus*, a deficiency or the weather or even "scorch" from the farmer's own spraying operation.

There are also weeds to be killed and just as you leap out of bed to drive your staff into action the weather man comes on to say that it will be too windy. He has said it so often this spring that desperate farmers disregard his advice and not waiting for calm must have medicated most of the district with drifting sprays.

This is a very real problem. Modern grain growing systems depend on a constant pattern of treatment as and when required to get the right results. Timing these operations is critical.

It's probably more necessary, but very wearing. I remember a time not so very many years ago when none of these problems worried us. The diseases were present and sometimes caused great losses, but because we had no remedies they were accepted philosophically as inescapable acts of God. We just planted the field, shut the gate and waited for harvest and we *always survived.*

Lower output on Scottish farms

BY OUR COMMODITIES STAFF

SCOTLAND produced £646m. worth of agricultural produce during the 1975-76 season—£162m. more than in the previous year. But the rise was almost entirely attributable to increased prices. Output of many key commodities fell.

The forecast production for 1976-77 is valued at £820m., according to the annual report of the Scottish Department of Agriculture and Fisheries.

The cereals acreage was the highest for 25 years, with a record 386,000 hectares under barley. But the area under oats fell, and the wheat plantings at 26,000 hectares were the lowest ever. The potato crop rose 11 per cent. to 34,000 hectares—the highest since 1973.

The number of dairy cows in the country continues to fall, although less rapidly than in recent years. The total milking herd is now 298,000 head—4,000 less than in the previous year.

And for the first time since 1964 the beef cow herd has been reduced. At the end of the year, the number of breeding females—529,000 head—was 4 per cent. (21,000 head) down on the previous campaign.

There was also 1 per cent. fewer sheep. The total flock fell to 7,478,000 head. But the pig herd, in step with the pig cycle, rose sharply. The number of pigs in the country increased 7 per cent. The breeding herd alone went up by 5 per cent.

The number of broiler chickens increased, and the laying flock fell, but a 10 per cent. rise in the number of birds being raised for egg production was expected quickly to cancel out the effects of this.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Fluctuated erratically on the Metal Exchange. Forward metal at £780-£783 but went down to [illegible] small volume with some speculative selling. The market then rallied [illegible] trade buying around £780, [illegible] to £788 with sellers reluctant. [illegible] level could not be maintained [illegible] price slipped to £781 before [illegible] the morning rally and closing Kerb at £785.5. Turnover: 19,250

Amalgamated Metal Trading reported [illegible] the morning cash wirebars traded [illegible] 65.5; three months £789, 81, 89.5, [illegible] 82, 83, 84, 85, 86, 87, 88, 89. [illegible]: Cash £788, 87.5, 88; three [illegible] £779, 77.5, 78. Kerbs: Three [illegible] £786, 87, 86, 85, 86. Afternoon:

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	768.9	+5.5	761.-5	—7.5
3 months	788.5-9	+5.5	781.-5	—7.75
Settlem'nt	769	+5.5	—	......
Cathodes				
Cash	757.5-8	+2.5	752-.3	—6.75
3 months	777.5-8	—2.5	772-.3	—6.75
Settlem'nt	758	+2.5	—	......
U.S. Smt.	—	......	68.71	—

Wirebars, three months £792, 89, 81, 82, 81, 81.5, 81. Cathodes: Cash £759; three months £773. Kerbs: Three months £782, 83, 82.5, 83, 84, 85, 86.

TIN—Steady despite the pressure from Copper and lead. Forward metal opened at £5,730 and traded throughout the morning between £5,740 and £5,745 helped by U.S. interest. In the afternoon the price drifted off with other metals but hedge buying against U.S. business caused a late rally to a close on the Kerb of £5,780. Turnover: 1,300 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	5655-60	+12.5	5650-40	—10
3 months	5670-5	+22.5	5730-40	—22.5
Settlem'nt	5660	+10	—	......
Standard				
Cash	5655-60	+25	5630-40	—19
3 months	5745-8	+21	5725-30	—7.5
Settlem'nt	5660	+25	—	......
Straits E.	$1441	—7	—	......
New York	—		455	—2.5

Morning: Standard, cash £5,630, 55, 50; three months £5,730, 25, 30, 35, 40, 50, 45. High grade, three months £5,755. Kerb: Standard: Three months £5,730, 35. Afternoon: Standard, three months £5,740, 35, 40, 45, 30, 20, 25. Kerb: Standard, three months £5,730, 35, 50, 60.

LEAD—Lower after thin morning and busier afternoon trading. Forward lead opened easier at £349 and traded between £347 and £351 during the morning. After opening in the afternoon at £347-£348 the market drifted. Once £345 was touched stop-loss selling was set off which took *the price down to £341. But some nervous* short-covering caused a recovery to a close on the Kerb of £343.5. Turnover: 7,800 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	344-.25	—5.1	333.4	—15.1
3 months	349.5-50	—6.5	340-.1	—14.2
S'ment	344.25	—5.25	—	......
N.Y. Spot	—	......	—	......

Morning: Cash £344; three months £350, 49, 51, 52, 51, 50.5, 50, 49.5, 49.75, 50. Kerbs: Three months £348, 48.5. Afternoon: Cash £340; three months £348, 47.5, 47, 45, 44, 43, 42, 41, 40. Kerb: Three months £342, 41, 42, 43, 42, 42.5, 43, 43.5, 44.

ZINC—Easier, following the pattern of trading in lead. Forward metal held between £330 and £333 in the morning and started the afternoon at £329 before sliding to £322. Short-covering lead to a close on the Kerb of £323. Turnover: 5,225 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	322-.5	—3	313.4	—11.5
3 months	331.5-2	—3	322.5-3.5	—11.5
S'ment	322.5	—3	—	......
Prm. West	—	......	54	......

Morning: Three months £331, 32, 31.5, 32. Kerb: Three months £331, 30, 30.5. Afternoon: Three months £328, 26, 24, 25, 24, 23, 22, 21, 22, 23. Kerb: Three months [illegible]

[illegible]

SILVER

[illegible]

SILVER per troy oz.	Bullion fixing pricing	+ or —	L.M.E. close	+ or —
Spot	266.4p	—0.5	264.65p	—2.55
3 months	272.05p	—0.85	270.75p	—2.5
6 months	278.1p			
12 months	294.5p			

LME—Turnover [illegible]

JUTE

[illegible]

COCOA

Values [illegible] Wednesday [illegible] higher [illegible] Duffus.

[illegible]

COFFEE

After [illegible] of day [illegible] Commission [illegible] eroded [illegible] session, [illegible] offtake [illegible] with fe[illegible] tion figures [illegible] tions.

[illegible]

RUBBER

EASIER [illegible] market. [illegible] day, clo[illegible] Peat re[illegible] of 192 [illegible]

[illegible]

SOYABEAN MEAL

[illegible]

GRAINS

[illegible]

SUGAR

LONDON DAILY PRICE (raw sugar) [illegible]

[illegible]

WOOL FUTURES

[illegible]

MEAT/VEGETABLES

[illegible]

PALM OIL

[illegible]

PRICE CHANGES

Prices per tonne unless otherwise stated.

	June 2 1977	+ or —	Month ago
Metals			
Aluminium	£630		£650
Free Market (cis)	$1040-50	—5.0	$1,050-40
Copper			
Cash Wire Bars	£761.25	—7.5	£812.5
3 months do. do.	£781.25	—7.75	£833.75
Cash Cathode	£752.5	—6.75	£803.5
3 months do. do.	£772.5	—6.75	£824.75
Gold Troy oz.	$142.125	—2.5	$147.875
Lead Cash	£333.5	—15.25	£412.5
3 months	£340.5	—14.75	£408.25
Nickel	£3,160		£3,157
Free Market (cif)	$2.07-.28		$2.07-18
Platinum (b) troy oz.	£97		£97
Free Market	£89.65	—0.3	£92.15
Quicksilver (76lb)(z)	$120-130		$135-140
Silver Troy oz.	266.4p	—0.3	277.85p
3 months	272.05	—0.85	285.55p
Tin Cash §	£5,635	—10.0	£5,768.5
3 months	£5,727.5	—7.5	£5,862.5
Wolfram 22.04 lb. cif	$178.188		$178-184
Zinc Cash §	£313.5	—11.5	£387.5
3 months	£323	—11.5	£397.75
Producers	$700		$795
Oils			
Coconut Malayan	$705A	—2.0	‡
Groundnut	£620		£617
Linseed Crude (v)	£428t		£465
Palm Malayan	$655w	—5.0	$667.5
Seeds			
Copra Philip	$472.5		$530
Linseed Can. No. 1	£190.5w		£217.5
Grains			
Barley EEC	£78k		£86
Home Futures	£81.55m	—0.15	£84.2
Maize			
French No. 3 Am	£85.75		£86
S.A. Yellow	£71x		‡
Wheat			
No. 1 Red Spring	£83k		£87.25
No. 2 Hard Winter	‡		£89.2
Australian (f.a.q.)	‡		‡
English Milling (k)	£93t		£95.5
Cocoa Shipment	£2,822	+108.0	£2,441
Futures Sept.	£2,554.5	+111.5	£2,259.5
Coffee Futures			
September	£2,991.5	+4.5	£3,422.5
Cotton 'A' Index			
cent	75.65	—0.7	83.45
Jute LJABC(d)(x)	‡		$414
Rubber kilo	49.75p	—0.25	51p
Sisal EA3L	$600s		£600
Sugar (Raw)	£119		£134
Wooltops 64s kilo	283p		288p
Cloves (Madagascar)	‡		‡
Pepper White	$2,875		$2,825
Black	$2,500	—25.0	$2,500

* Nominal. † Seller. ‡ Unquoted. § Unofficial close. ⁂ Indicative price. a Seller's quotation. b U.K. and Commonwealth refined. c Uganda Robusta standard grade indicative prices f.o.b. Mombasa U.S cents a pound. d Bangladesh white "C." v Ex-tank London/Hull. h June-July. t April-June. k July. May-July. m September. p October-December. s May-June. w July-August. n August. x Per ton.

FINANCIAL TIMES

June 2	June 1	Month ago	Year ago
263.71	265.64	269.96	226.04

(Base: July 1, 1952=100)

REUTER'S

June 2	June 1	Month ago	Year ago
1638.8	1643.1	1701.5	1488.8

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	June 2	June 1	Month ago	Year ago
Spot	418.05	418.38	423.54	342.71
Futures	385.79	384.19	397.15	332.84

(Average 1924-25-26=100)

MOODY'S

Moody's	June 2	June 1	Month ago	Year ago
Spie Commty	912.2	915.7	930.9	854.2

(December 31, 1931=100)

U.S. Markets

Gold falls as sugar holds steady

NEW YORK, June 2.

COFFEE closed limit down in pools in a continued lack of physical business. Cocoa closed limit up on speculative short covering. Soyabean eased on potential deliveries to [illegible] Chicago and light concern *in growing areas.* Sugar remained steady on Commission House buying. Gold is lower on Commission House selling outweighing trade buying. Bache reports.

[illegible]

COMPANY NOTICE

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)

PREFERENCE DIVIDEND

[illegible]

June 2 1977

[illegible]BLIC NOTICES

[illegible]RWICH CITY COUNCIL

[illegible]0 bills issued 1st June 1977 [illegible] August 1977 at 7[illegible]%. Applications £4.25m. £650,000 bills [illegible]

[illegible]IVERS DISTRICT COUNCIL [illegible] 2nd June, 1977 at 7[illegible]% [illegible] bills due 1st September, 1977. [illegible] £1,900,000. These are the [illegible] in issue.

[illegible]UBS

[illegible]IBITIONS

STOCK EXCHANGE REPORT

Small technical rally but no enthusiastic buying

Share index up 6.0 at 454.6—British Funds harder

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
May 23	Jun. 9	Jun. 10	Jun. 21
Jun. 13	Jun. 23	Jun. 24	July 5
Jun. 27	July 7	July 8	July 19

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

After two days of uncertainty, equity markets made a more positive showing yesterday. Prices of the leaders generally closed at the best of the day and the FT 30-share index recovered six points to 454.6. The rise was largely technical with buyers showing no great enthusiasm, but was all the more creditable for having been achieved in the face of the NIESR's bleak view of the outlook if the Government and trade unions fail to reach agreement on a further phase of voluntary wage restraint. The poor set of May reserve figures were much as expected, and the NIESR view was countered by yesterday's news of further union backing for the pay policy and by the Department of Industry's forecast of an upsurge in industrial investment next year.

Wednesday's tentative rally in British Funds was taken a stage further with numerous gains ranging from ¼ to ⅜ after a hesitant start on the uncertainty in sterling. The Funds, which also ended at the day's best, took some encouragement from the further easing yesterday of the recent upward pressure on rates in the money markets. The Government Securities index put on 0.14 for a two-day rise of 0.34 at 68.61.

The continuing dearth of trade was seen in official markings of 4,942—little changed from Wednesday's but well down on the recent daily average of over 7,000. The tone, however, was helped by the evidence of no lack of funds for Selection Stocks provided by reports of the successful placing of £16m. from the portfolio of English and Caledonian Investment Trust which was recently taken over by European Ferries. The more cheerful feeling resulted in a little more buying of recent speculative favourites, North Sea Oil stocks being given a further boost following BP's first-quarter statement and its reference to the continuing build-up of production from the Forties Field. For the first time in five trading days, rises in FT-quoted equities outnumbered falls—by 5 to 3. The FT-Actuaries three main indices all gained about 1 per cent., the All-share to 187.94.

Funds extend rally

British Funds disregarded the none too favourable economic pointers in the NIESR report and extended the previous day's technical recovery. Led by the shorter maturities, the movement lost a little impetus on disappointment with the latest U.K. official reserves but took heart later from the Public Sector Borrowing Requirement, which was slightly better than expected. Although trading was described as unexciting in the run-up to the long Jubilee holiday, continued demand for the variable coupon, Treasury 1981, saw the Government broker withdraw his selling price of 98¼ for supplies of the stock; he was not tested at 98⅜. Finally, gains extending to ⅜ in the shorts tapered to ⅛ in the ultra longs and Irredeemables, which traded very quietly. The new tap, Treasury 11¾ per cent., 1991, will make its debut to-day, but it will be a major surprise if any real interest develops in the stock. Corporations came into their own and established widespread gains ranging to a point.

More lively conditions in investment currency were a result of arbitrage operations, usually connected with business on Far Eastern account, coupled with offerings of premium related to the liquidation of part of English and Caledonian's overseas investments. Down to 115½ per cent. at one stage, the rate rallied slightly to close a net 3¼ lower at 116½ per cent. Yesterday's SE conversion factor was 0.7027 (0.6820).

Foreign Banks easier

The only notable feature of an otherwise idle Banking sector was an apparent easier tendency in Foreign issues, particularly Australians. ANZ receded 7 to 320p as did Commercial Bank of Australia, to 260p, while National Bank of Australasia shed 5 to 255p. Hong Kong and Shanghai cheapened 4 to 316p on Far Eastern advices. Home Banks gave back early improvements of a penny or so and closed with little alteration for the third successive day. Bank of Scotland closed 3 dearer at 228p. In Merchant Banks, Minster Assets edged forward a penny to 45p on the results.

A reasonable business was transacted in Composite Insurance shares, which also closed without much change.

In quiet Breweries, Young and Co's A moved up 3 to 108p on the preliminary figures, but Buckley's closed a penny cheaper at 36p despite the increased earnings.

Among quietly firm Buildings, cements gained fresh ground on further consideration of the 12 per cent. increase in the price of cement which takes effect from June 9. AP Cement hardened 3 more to 194p, for a two-day advance of 7, while Tunnel B added 4 at 180p and Aberthaw 2 to 94p. Elsewhere, Concrete attracted a fair amount of interest and closed 7 up at a 1977 peak of 60p; the results are expected early next month. Richard Costain firmed 4 to 204p, while Barratt Developments hardened 3 to 81p and F. J. C. Lilley 2 to 58p.

ICI made progress in thin trading to finish 6 higher at the day's best of 395p. Hickson and Welch gained 12 to 515p in response to highly satisfactory first-half figures and improvements of around 3 were seen in Fisons at 360p and Revertex at 87½p.

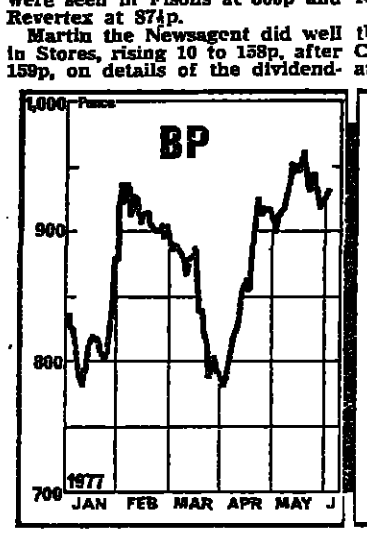
Martin the Newsagent did well in Stores, rising 10 to 158p, after 159p, on details of the dividend-boosting rights issue which accompanied the interim results. Hardy (Furnishers) attracted buyers, the Ordinary closing 4 up at 41p and the A 3 dearer at 37p. Of the leaders, Burton Ordinary improved 2 to 74p, with the A hardening a penny to 70p, while Marks and Spencer at 117p, and Gussies A at 225p, edged forward 2 and 3 respectively.

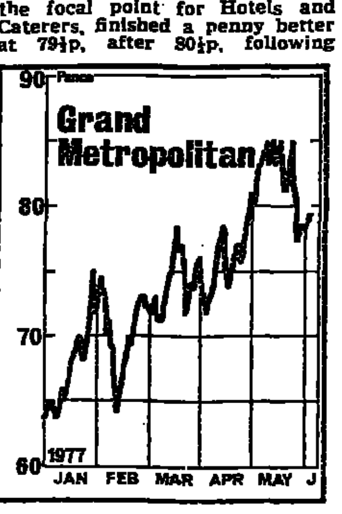
Reflecting Overseas advices and premium influences, Sony fell 17 to 755p and Philips Lamp 20 to 970p. Other Electricals were generally better where changed. EMI improved 6 to 223p, while BICC, 115p, and GEC, 185p, both closed 2 harder. M.K. Electric rose 8 to 158p on fresh speculative interest, while Plessey were lifted 3 to 83p. Decca returned to favour, the Ordinary and A both finishing 8 better at 340p and 330p respectively.

GKN and Hawker were the main beneficiaries in a quietly firm Engineering sector yesterday, the former closing 7 to the good at 349p and the latter, after a late run, finishing 18 higher at 624p; buyers in Hawker are seemingly looking forward to more marketability in the stock after the proposed share sub-division in early July. Recent bid favourite John Brown hardened 2 to 201p. Demand in a restricted market lifted Peter Brotherhood 8 to 94p, while improvements of between 4 and 6 were recorded in Hopkinsons, 87p, Spirax-Sarco, 240p, and Matthew Hall, 150p. Whessoe hardened 3 to 84p as did Thomas Robinson, to 81p.

Apart from Tate and Lyle, 5 cheaper at a 1976 low of 231p, Foods were generally better where changed. Bejam improved 7 to 110p, while renewed speculative attention left Avana a penny firmer at 30p and J. Bibby 5 higher at 129p. Cavenham moved up 3 to 133p. Carr's Milling finished a penny better at 42p following the interim statement.

Grand Metropolitan provided the focal point for Hotels and Caterers, finished a penny better at 79½p, after 80½p, following interim figures which came up general market expectations.





Carlton Inds. wanted

Miscellaneous Industrial leaders picked up on technical influences, improving steadily in thin trading to close at, or very near, the day's best. Beecham rose 8 to 488p and Bowater gained 4 to 187p, while Turner and Newall improved to 177p and Boots 2 to 170p. Secondary issues paraded some good features, in particular Carlton Industries which spurted 10 to 100p following speculative demand fuelled by bid hopes. Buying on recovery hopes lifted Redfearn National Glass 9 to 135p, while Pleasurama gained 3 to 46p and Hay's Wharf a similar amount to 136p after news items. Sangers hardened 2 to 96p, also on trading news, and Black and Edgington edged forward 2 to 184p reflecting Press comment. Details of the proposed rights issue left Tozer Kemsley and Millbourn a penny up at 46p; the convertible loan stock proposals, announced simultaneously, brought about a rise of 5¼ points to £91 in the 8 per cent. Convertible 1981. ICL rallied 6 to 212p after the recent disappointing results, while similar improvements were seen in Bestobell, 149p, De La Rue, 417p and Dunbee Combex, 272p. Brook Street Bureau put on 4 to 59p after the chairman's encouraging statement. By way of contrast, Jardine Matheson fell 8 to 284p on Far-Eastern advices.

Fodens featured late in Motors and Garages, rising 4 to 46p following the Board's letter to shareholders criticising the offer from Rolls-Royce as completely unacceptable; Rolls-Royce closed 1½ harder at 67½p. Elsewhere, Dunlop finished 2 better at 105p and Lucas Industries 6 to the good at 309p. Reliant Motor hardened a shade on further consideration of the trading recovery and closed at 7½p, a premium of 6 over the recent 1½p per share cash offer from J. F. Nash Securities. Western Motor were marked up 5 to 42p in a restricted market on the announcement that Charringtons Industrial Holdings is buying the company's A. Bell subsidiary in a £1.1m. deal. Lookers edged up 2½ to 39½p, but Manchester shed 1½ to 17½p and H. and J. Quick eased 2 to 24½p.

North Sea oil enthusiasm flared once more for Thomson which improved 17 to 555p in Newspapers, where Daily Mail A were 5 to the good at 278p. Still awaiting further developments on the Evening Standard situation, Beaverbrook A edged forward a fraction to 42p, while comment on the record profits helped East Midland Allied Press A improve 2 more to 46p. In Paper/Printing, Culter Guard Bridge reflected the return to profitability with an improvement of a penny to 23p, after 23½p. Saatchi and Saatchi Compton were a like amount dearer at 73p on the interim results.

North Sea oil optimism was one of several factors behind an all-round upturn in Oils. British Petroleum rose to 936p awaiting the first-quarter figures and although these were considered highly satisfactory, the announcement that future income would be adversely affected by OPEC two-tier pricing brought BP back to 926p before a late rally to 932p, up 10 on the day. Shell were high in the active stocks list and regained 6 to 536p, while Ultramar moved up 10 to 176p and Oil Exploration 8 to 178p, the last-named responded to unconfirmed rumours of a share stake having changed hands outside of the market. Burmah were in better fettle at 79p, a rise of 2, and Tricentrol improved 3 to 158p. Among other North Sea-orientated issues to the fore, Ranger were 1¼ higher at £19¾, and Siebens (UK) a further 6 dearer at 142p.

Further slow upward progress in Properties reflected diminished concern about higher interest rates and a renewal, although small, of speculative activity on bid possibilities. Haslemere Estates fitted in the latter category and rose 4 to 199p, while scattered investment interest raised Land Securities 2 to 185p, after 186p. Percy Bilton recovered 4 to 144p following recent disappointment with the annual figures and Berkeley Hambro gained 3 to 112p mirroring the success of the Swire Properties offer for sale in Hong Kong. Imry, however, came back 5 to 190p on the half-year loss. Elsewhere, Chesterfield were raised another 5 in a thin market to 195p and Lynton Holdings picked up 2 to 84p.

The liquidation of English and Caledonian Investment's portfolio directed a fair amount of business to the Investment Trust section which closed with modest gains. Rothschild Investment responded to Press comment with a rise of 5 to 275p. Financials adopted no set pattern. Edinburgh Industrial, at 19½p, made no apparent response to the interim dividend payment and increased first-half profits. York Trust moved up 1½ to 8p on fresh speculative support.

Coats Patons hardened 2 to 77p on the full report in Textiles where Courtaulds and Jerome both finished 3 better at 131p and 46p respectively. Illingworth Morris were noteworthy for a rise of 4 to 28p, while other firm spots included Tootal, 1½ harder at 42½p, and Parkland A, 4 better at 48p. Caird (Dundee) were 2 firmer at 38p when, at the company's request, dealings were suspended pending a further announcement.

Fresh moves by the anti-smoking lobby to impose fresh curbs on the industry caused initial weakness in Tobaccos which subsequently rallied and closed little changed.

Golds erratic

South African Golds closed easier on balance after moving erratically throughout the day. Buying of shares here late on Wednesday by U.S. sources continued in overnight American markets and prices opened with substantial gains.

In the early trade they improved further following a follow-through of U.S. buying coupled with Cape interest, but subsequently reacted following the lower bullion price at the morning fixing, which reflected mild disappointment with the outcome of the International Monetary Fund gold auction. The sharp fall in the investment currency premium also had a restraining effect on prices.

As the metal price weakened afresh in the afternoon to close $2.50 down at $142.125 per ounce profit-taking and U.S. selling left shares showing losses across the board and prompted a 3.0 fall in the Gold Mines index to 119.8.

Initial gains in the heavyweights of around a half-point were turned into falls of ¼, as in Vaal Reefs, £10⅛, while lower priced stocks gave up as much as 17 in Kloof, 348p and 16 in Libanon, 256p. Buffels closed 18 cheaper at 782p despite the good final dividend.

Overseas-registered Financials mirrored Golds with "Amgold" and "Johnnies" both ¼ off at £14¼ and £13¾ respectively, while Anglo American closed 5 easier on balance at 245p, after 252p.

Lack of interest left the London-based Financials a few pence off with the exception of Rio Tinto-Zinc which hardened a peny to 229p, after 230p.

The lower investment currency premium affected prices of Australian issues, which had moved ahead in overnight Sydney and Melbourne markets. In Uraniums Pancontinental dropped a half-point to £10, Peko-Wallsend 5 to 540p and EZ Industries the same amount to 285p.

FINANCIAL TIMES STOCK INDICES

—	June 2	June 1	May 31	May 30	May 27	May 26	A Year ago
Government Secs.	68.61	68.47	68.27	68.45	68.83	69.63	61.00
Fixed Interest	69.35	69.13	69.18	69.71	69.66	70.29	60.78
Industrial Ordinary	454.6	448.6	448.5	447.5	452.8	461.5	367.1
Gold Mines	119.8	122.8	118.9	118.9	110.5	108.9	186.0
Ord. Div. Yield	5.11	5.18	5.18	5.20	5.15	5.05	5.84
Earnings Y'ld % (full)*	15.70	15.88	15.89	15.93	15.76	15.43	16.50
P/E Ratio (net) (*)	9.34	9.13	9.12	9.10	9.19	9.47	8.93
Dealings marked	4,942	4,949	6,043	5,973	6,249	7,158	6,083
Equity turnover £m.	—	37,038	36.10	63.00	70.41	72.44	65.89
Equity bargains total	—	14,757	11,556	16,105	17,500	18,740	17,465

10 a.m. 449.6. 11 a.m. 449.5. Noon 454.1. 1 p.m. 454.8. 2 p.m. 454.0. 3 p.m. 454.4.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. Nil=9.12.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1977 High	1977 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	71.48 (18/5)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	71.19 (18/5)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	477.4 (18/5)	357.6 (12/1)	543.6 (19/5/72)	49.4 (26/6/40)
Gold Mines	137.4 (7/3)	95.1 (1/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

—	June 2	June 1
—Daily		
Gilt-Edged	158.9	151.6
Industrials	176.9	182.2
Speculative	41.4	24.6
Totals	112.6	112.7
5-day Av'rage		
Gilt-Edged	167.2	170.7
Industrials	209.0	228.0
Speculative	35.5	35.2
Totals	128.2	138.2

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977 high	1977 low
ICI	£1	17	395	+ 6	409	32[illegible]
Shell Transport	25p	14	536	+ 6	556	43[illegible]
Bowater 'New'	Nil/pd.	13	20pm	+ 3	34pm	1[illegible]
BATs Defd.	25p	11	240	− 2	260	20[illegible]
BP	£1	11	932	+10	966	77[illegible]
Barclays Bank	£1	10	250	—	285	22[illegible]
Dunlop 'New'	Nil/pd.	10	22pm	+ 2	29pm	1[illegible]
Courtaulds	25p	9	131	+ 3	133	8[illegible]
Tilling (T.) 'New'	Nil/pd.	9	2½pm	− ½	12pm	2[illegible]
Coats Patons	25p	8	77	+ 2	82	5[illegible]
Distillers	50p	8	147	+ 1	159	12[illegible]
Grand Met.	50p	8	79½	+ 1	85	6[illegible]
GKN	£1	8	349	+ 7	362	27[illegible]
NatWest	£1	8	220	—	253	20[illegible]
Thorn Elec. 'A'	25p	8	294	+ 2	298	20[illegible]

NEW HIGHS AND LOWS FOR 1977

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977.

NEW HIGHS (53)

BRITISH FUNDS (1)
Treas. Variable 1981

BEERS (3)
Boddingtons; Ellis (Richmond); Bulmer (H. P.)

BUILDINGS (5)
Bambergers; Tunnel B; Lilley (F. J. C.); Wettern Bros.; Mowlem (J.)

CHEMICALS (2)
Anchor; Hickson & Welch

DRAPERY & STORES (6)
Foster Bros.; Martin-Newsagent; Hary (Furnishers); Polly Peck; Do. A N-V; Samuel (H.) A

ELECTRICALS (1)
Sound Diffusion

ENGINEERING (6)
Alcan 9pc Conv.; Desoutter; Brotherhood (P.); Robinson (Thos.); Capper-Neill; Wombwell Foundry

FOODS (3)
Edwards (Louis C.); Wheatsheaf; Matthews Holdings

INDUSTRIALS (9)
Boosey & Hawkes; Leisure Caravans; Brook St. Bureau; McBride (Robert); Brunton (Musselb.); Pleasurama; Carlton Inds.; Tozer Kemsley & Conv. 1981; Kelsey Inds.

MOTORS (3)
Reliant Motor; Western Motor; Fodens

NEWSPAPERS (1)
E. Midland Allied A

PAPERS (1)
Culter Guard Bridge

PROPERTY (2)
Green (R.); Midhurst White

SHIPPING (1)
Fisher (J.)

TEXTILES (4)
Illingworth Morris; Jerome (S.); Do. A; Parkland A

TRUSTS (4)
Argo Invs.; Investment Co.; N. Throgmrtn. Cap.; Parambe

TEAS (1)
Assam Dooars

NEW LOWS (7)

BANKS (1)
Credit Bk. of France

FOODS (1)
Tate & Lyle

INDUSTRIALS (3)
E.C. Cases; Toothill (R. W.); Swedish Match

MINES (2)
Tanganyika; Northgate Exp

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p	+ or −	Div. P. or Amount	Times covered	Gross Yield	P.E. Ratio
‡‡	F.P.	—	27½	25	Bucknall Trust	25½	.....	—	—	—	36.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

RISES AND FALLS

	Up	Down	Same
British Funds	[illegible]	[illegible]	[illegible]
Corpns. Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Prop.	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Recent Issues	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

OPTIONS TRADED

For rate indications, see end of Share Information Service.

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
May 31	Jun. 20	Sep. 1	Sep. 13
Jun. 21	July 4	Sep. 15	Sep. 27
July 5	July 18	Sep. 29	Oct. 11

Calls were dealt in Ultramar, Hay's Wharf, De Vere Hotels, London and Northern, J. Warren, Cons. Gold Fields, Matthews Holdings, Avana, Intereuropean Properties, Berkley Hambro, ICI, Lex Service, Standard and Chartered, 600 Group, Beecham, Shell Transport, S. and W. Berisford, Premier Consolidated Oil, Brooke Bond and French Kier. A put was done in Tecalemit, while doubles were arranged in Hay's Wharf, Grand Metropolitan, Lennons, House of Fraser, Allied Polymer, Dufay Bitumastic, Charringtons, Lex Service, Standard and Chartered, Adda International, 600 Group, and Richardsons and Westgarth. A short-dated double was transacted in Dufay Bitumastic.

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

No.	Groups	Thurs., June 2, 1977 Index No.	Day's Change %	Est. Earnings Yield % (Max.) (Corp. Tax 52%)	Gross Div. Yield % (ACT at 35%)	Est. P/E Ratio (Net) (Corp. Tax 52%)	Weds. June 1 Index No.	Tues. May 31 Index No.	Mon. May 30 Index No.	Fri. May 27 Index No.
1	CAPITAL GOODS (170)	180.84	+1.2	17.67	5.65	8.31	177.95	178.36	178.52	181.16
2	Building Materials (28)	149.29	+0.9	18.20	6.83	8.17	147.95	148.35	148.74	150.89
3	Contracting, Construction (26)	254.62	+1.2	20.33	4.58	7.36	251.63	252.56	251.99	255.64
4	Electricals (15)	347.03	+1.5	16.34	4.67	9.07	341.89	342.99	345.45	351.46
5	Engineering (Heavy) (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Engineering (General) (67)	164.06	+1.2	17.47	6.37	8.43	162.17	162.34	161.91	164.41
7	Machine and Other Tools (6)	89.11	+0.9	22.58	7.15	6.77	88.43	88.99	88.56	89.18
8	Miscellaneous (21)	152.25	+0.7	16.60	6.37	8.47	151.26	152.32	152.35	153.57
11	CONSUMER GOODS (DURABLE) (53)	165.86	+0.8	17.20	5.09	8.64	164.61	164.75	165.18	167.85
12	Lt. Electronics, Radio TV (15)	184.04	+0.5	16.21	4.01	9.26	183.07	182.73	183.39	186.67
13	Household Goods (12)	162.77	+0.2	18.92	7.38	7.62	162.49	162.52	163.56	164.96
14	Motors and Distributors (25)	111.85	+1.2	18.12	6.00	8.37	110.52	111.84	111.87	112.62
21	CONSUMER GOODS (NON-DURABLE) (171)	168.37	+1.0	16.24	6.15	9.04	166.67	166.74	166.77	168.31
22	Breweries (15)	177.37	+0.6	15.10	6.39	9.98	175.99	174.91	174.69	176.46
23	Wines and Spirits (6)	194.19	+0.3	13.43	5.88	12.47	192.71	191.27	191.49	193.13
24	Entertainment, Catering (15)	212.38	+1.5	14.91	7.06	10.21	209.17	209.58	208.87	212.51
25	Food Manufacturing (21)	175.23	+0.8	21.74	5.69	6.79	173.90	173.92	173.55	174.59
26	Food Retailing (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27	Newspapers, Publishing (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28	Packaging and Paper (14)	119.27	+1.1	16.63	6.86	9.19	117.99	118.17	118.59	120.40
29	Stores (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30	Textiles (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31	Tobaccos (3)	219.78	+0.2	20.71	8.17	6.41	219.29	219.29	219.32	221.77
32	Toys and Games (5)	97.03	+1.9	18.17	6.44	7.34	95.18	94.73	94.45	95.02
41	OTHER GROUPS (97)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (17)	250.76	+1.3	14.95	4.76	9.43	247.56	247.94	248.27	249.76
44	Office Equipment (6)	102.57	+0.5	16.59	5.56	8.41	102.02	101.43	101.74	103.18
45	Shipping (10)	520.69	+0.3	14.94	5.32	8.97	518.88	513.33	515.46	525.22
46	Miscellaneous (54)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (498)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oils (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (100)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	Discount Houses (10)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
64	Hire Purchase (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (10)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance Brokers (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (15)	[illegible]	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Miscellaneous (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (673)	187.94	+0.8	—	5.53	—	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Thurs. June 2	Day's change %	xd adj. To-day	xd adj. 1977 to date
1	Under 5 years	[illegible]	[illegible]	[illegible]	[illegible]
2	5-15 years	[illegible]	[illegible]	[illegible]	[illegible]
3	Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]
4	Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]
5	All stocks	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST YIELDS

	Br. Govt. Av. Gross Red.		Thurs. June 2	Weds. June 1
1	Low	5 years	[illegible]	[illegible]
2	Coupons	15 years	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]
4	Medium	5 years	[illegible]	[illegible]
5	Coupons	15 years	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]
7	High	5 years	[illegible]	[illegible]
8	Coupons	15 years	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]

		Thurs., June 2 Index No.	Yield %	Wed. June 1	Tues. May 31	Monday May 30	Friday May 27	Thurs. May 26	Wed. May 25	Tues. May 24
15	20-yr. Red. Deb. & Loans (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16	Investment Trust Prefs. (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17	Coml. and Indl. Prefs. (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Redemption yield. [illegible]

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

Individual Life Funds

Fixed Interest	138.9	146.3	.....	—
Equity	109.6	115.2	.....	—
Property	150.6	157.5	.....	—
Managed	131.0	138.0	.....	—
Money	112.6	116.5	.....	—
K. & S. Gilt Bds.	133.6	135.6	.....	—
K. & S. Govt. Sec.	112.9	118.9	.....	—
Commodity UT	88.3	93.0	.....	—
Growth UT	117.6	123.6	.....	—
Capital UT	117.7	124.0	.....	—
Income UT	125.0	131.6	.....	—
International UT	135.9	143.1	.....	—

Scottish Widows' Group
PO Box 902, Edinburgh, EH16 5BU 031-655 6000

Inv. Ply. Series 1	90.3	90.3	.....	—
Inv. Ply. Series 2	85.5	90.1	.....	—
Ex.Ut.Tr. May 18	124.5	129.8	.....	—
Mgd.Pens. May 31	272.6	278.4	.....	—

NOTES

Prices do not include $ premium, except where indicated ‡, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♦ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax.

BASE LENDING RATES

.. Bank	8½%	■ Hill Samuel ‡	8½%
.. Irish Banks Ltd.	8½%	C. Hoare & Co. †	8½%
..ican Express Bank	8½%	Julian S. Hodge	9½%
..Bank Ltd.	8½%	Hongkong & Shanghai	8½%
.. Ansbacher	9 %	Industrial Bk. of Scot.	8½%
.. do Bilbao	8½%	Keyser Ullmann	8½%
..of Credit & Cmce.	8½%	Knowsley & Co. Ltd.	10 %
..of Cyprus	8½%	Lloyds Bank	8½%
..of N.S.W.	8½%	London & European	9½%
..e du Rhone S.A.	9 %	London Mercantile	8½%
..ys Bank	8½%	Midland Bank	8½%
..t Christie Ltd.	9½%	■ Samuel Montagu	8½%
..r Holdings Ltd.	9 %	■ Morgan Grenfell	8½%
..Bank of Mid. East	8½%	National Westminster	8½%
.. Shipley	8½%	Norwich General Trust	9 %
..a Permanent AFI	8½%	P. S. Refson & Co.	8½%
..l C & C Fin. Ltd.	10½%	Rossminster Accept'cs	8½%
..r Ltd.	9½%	Royal Bk. Canada Trust	8½%
.. Holdings	9 %	Schlesinger Limited	9 %
..rhouse Japhet	8½%	E. S. Schwab	10½%
..Coates	9½%	Security Trust Co. Ltd.	10 %
..idated Credits	8½%	Shenley Trust	11½%
..rative Bank *	8½%	Standard Chartered	8½%
..hian Securities	8½%	Trade Development Bk.	8½%
.. Lyonnais	8½%	Twentieth Century Bk.	10 %
..Dawes	10 %	United Bank of Kuwait	8½%
..n Lawrie ¶	8½%	Whiteaway Laidlaw	9 %
.. Trust	8½%	Williams & Glyn's	8½%
..h Transcont.	9 %	Yorkshire Bank	8½%
..ondon Secs.	8½%		
..Nat. Fin. Corpn.	9½%		
..Nat. Secs. Ltd.	9½%		
.. Gibbs	8½%		
.. Durrant Trust	8½%		
..und Guaranty	8½%		
..ys Bank ‡	8½%		
..ss Mahon	8½%		
..os Bank	8½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 4%, 1-month deposits 4½%.
† 7-day deposits on sums of £10,000 and under 4%, up to £25,000 5% and over £25,000 5½%.
‡ Call deposits over £1,000 4%.
§ Demand deposits 5½%.
¶ Rate also applies to Sterling Ind. Secs.

..OD PRICE MOVEMENTS

	June 2 £	Week ago £	Month ago £
..h A 1 per ton	960	960	940
..n A.1 per ton	955	955	935
Special per ton	940	940	920
..A.1 per ton‡	945	945	920
(packets)			
..r 20 lbs	9.74- 9.82	9.74	9.74- 9.82
..h per cwt†	57.99	55.89	—
..salted per cwt†	60.15-61.07	58.65-60.51	58.65-60.54
..h cheddar rindless			
..onne	1,051.13	1,051.13	1,051.13
..r tonne	1,004	1,004	1,004
..prod. Standard	2.60- 2.90	3.00- 3.30	3.70- 3.85
Large	3.45- 3.50	3.70- 3.90	4.20- 4.30

	June 2 per pound p p	Week ago per pound p p	Month ago per pound p p
..h killed sides (ex-F)	47.0—50.0	46.0—49.0	44.0—47.0
..orequarters	28.0—32.0	30.0—32.0	—
	46.0—50.0	50.0—54.0	50.0—52.0
..s-PMs	41.0—43.0	41.0—43.0	40.5—42.0
..ewes	—	—	28.0—35.0
..weights)	29.0—37.0	30.0—38.0	—
..chickens	31.0—34.0	31.0—35.0	32.0—34.0

..n Egg Exchange price per 120 eggs. † Delivered. ..ry June 4-11.

CORAL INDEX: Close 452-457

INSURANCE BASE RATES

† Property Growth 9½%
Cannon Assurance 5½%
† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

1977 High	1977 Low	Stock	£	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
107½	98⅞	Treasury 11½pc '77‡‡	101⅛	.....	11.37	7.62
96¼	93⅜	Treasury 3pc '77‡‡	98⅛	+⅛	3.06	7.39
98⅝	94⅞	Transport 4pc '72-77	98¾xd	+⅛	4.06	6.84
100⅞	95⅝	Treasury 9pc 1978‡‡	100⅛	.....	8.98	8.66
102⅝	97⅞	Treasury 10½pc '78‡‡	101⅛	.....	10.38	9.35
98⅞	90½	Exch. 5pc '76-78	97⅛	.....	5.15	7.09
104⅛	95⅛	Treasury 11½pc '79‡‡	102⅝	.....	11.21	9.80
94¼	84½	Treasury 3pc '79‡‡	93	−⅛	3.23	6.31
96⅛	85⅛	Electric 4¼pc '74-79	94¼	−⅛	4.51	6.96
102½	92	Treasury 10½pc '79‡‡	100⅞	+⅛	10.41	10.04
95⅛	84⅞	Electric 3½pc '76-79	93⅜	−⅛	3.75	6.45
100⅛	87¾	Treasury 9pc 1980‡‡	98⅛	+⅛	9.12	9.53
100½	88⅝	Treasury 9½pc '80‡‡	98½	+⅛	9.60	9.91
92	82⅞	Treasury 3½pc '77-80	90¼xd	+¼	3.86	6.94
94¼	83⅜	Funding 5¼pc '78-80‡‡	92¾xd	+¼	5.66	8.00
109⅛	96½	Exchequer 13pc 1980‡‡	107⅛	+⅛	12.13	10.45
105⅛	92⅛	Treasury 11½pc 1981‡‡	103⅛	+⅛	11.14	10.41
89⅞	77⅝	Treasury 3¼pc 1979-81	87¼	−⅛	4.01	7.50
101⅛	85⅛	Treasury 9¾pc 1981‡‡	98⅝	+⅛	9.89	10.19
98½	98	Treas. Variable '81	98½	+⅛	—	—
110⅛	96¼	Exch. 12¾pc 1981‡‡	107⅞	+⅛	11.87	10.61
98¼	82⅞	Treasury 8½pc '80-82‡‡	95½	+⅛	8.90	9.72
87⅞	71⅝	Treasury 3pc '82‡‡	85⅛	−⅛	3.52	6.73
115⅛	101⅝	Treasury 14pc '82‡‡	112½	+⅛	12.44	10.58
		Five to Fifteen Years				
41⅛	37⅞	Exch. 9¾pc '82 £40pd.	38⅝	+⅛	9.71	10.34
109⅞	95½	Treasury 12pc 1983‡‡	107	+¼	11.49	10.93
85⅞	72⅝	Funding 5½pc '82-84‡‡	85¼	+⅛	6.61	8.92
96⅛	77⅞	Treasury 8½pc '84-86‡‡	93⅛	+⅛	9.13	10.25
80⅞	66⅞	Funding 6½pc '85-87‡‡	77⅞	+⅛	8.44	10.24
86⅞	68½	Treasury 7¾pc '85-88‡‡	83⅝	+⅛	9.58	10.88
62⅛	49⅛	Transport 3pc '78-88	57¾xd	+⅛	5.17	9.10
65⅛	53⅞	Treasury 5pc '86-89	62	+⅛	8.15	10.71
112⅝	90	Treasury 13pc 1990‡‡	107⅛	+⅛	12.72	12.64
82⅛	67⅛	Treasury 8¼pc '87-90‡‡	76¼xd	+⅛	10.71	11.74
—	—	Treasury 11¾pc '91‡‡	£94	.....	12.50	12.67
65⅛	53⅞	Funding 5¾pc '87-91‡‡	61⅞	+⅛	9.45	11.45
108⅞	86¼	Treasury 12¾pc '92‡‡	103⅛	+¼	12.94	12.96
		Over Fifteen Years				
60⅛	53⅞	Exch. 12¼pc '92 £50pd.	54⅞	+¼	12.98	13.01
105⅞	84½	Treasury 12½pc '93‡‡	101	+¼	12.39	13.07
62	51⅝	Funding 6pc 1993‡‡	58¼	+⅛	10.45	12.00
110¾	96	Treasury 13¾pc 1993‡‡	104	+¼	13.27	13.20
116½	99	Treasury 14½pc '94‡‡	111⅞	+¼	13.42	13.28
81⅞	66⅛	Treasury 9pc '94‡‡	75⅞	+⅛	12.01	12.56
41⅛	32⅝	Gas 3pc '90-95	39	+⅛	7.75	10.30
106¾	87	Treasury 12¾pc '95‡‡	98¼	+¼	13.07	13.09
79¼	66⅞	Treasury 9pc '92-96‡‡	76¼	+⅛	12.12	12.59
118⅞	101½	Treasury 15¼pc '96‡‡	113⅞	+¼	13.54	13.50
109⅞	89¾	Exchequer 13¼pc '96‡‡	101¼	+¼	13.18	13.16
40¼	31¾	Redemption 3pc 1986-96	38¼	+⅛	7.95	10.67
109¾	87⅛	Treasury 13¼pc '97‡‡	105	+¼	13.22	13.21
77⅞	64⅞	Treasury 8¾pc 1997‡‡	72⅞	+⅛	12.22	12.65
61⅝	50¼	Treasury 6¾pc '95-98‡‡	57⅞	+⅛	11.79	12.57
121	103⅞	Treas. 15½pc '98‡‡	116¼	+⅛	13.66	13.53
85⅞	65⅞	Treasury 9½pc 1999‡‡	79⅞	+⅛	12.45	12.74
35¾	27⅝	Funding 3½pc '99-04	33¼	+⅛	10.80	11.92
68⅛	57½	Treasury 8pc '02-06‡‡	65⅛	+⅛	12.53	12.72
49¼	40½	Treasury 5½pc '08-12‡‡	45¾	+⅛	12.37	12.57
67⅞	53¼	Treasury 7¾pc '12-15‡‡	64⅛	+⅛	12.52	12.69
		Undated				
33¼	26⅝	Consols 4pc	31⅛	+⅛	13.21	—
31½	25⅜	War Loan 3½pc‡‡	29xd	+⅛	12.09	—
33¼	26¼	Conv. 3½pc '61 Aft.	31⅛	+⅛	11.47	—
24¼	19½	Treasury 3pc '66 Aft.	23¼	+⅛	13.18	—
21	17¼	Consols 2½pc	19½xd	+⅛	12.68	—
20⅜	17⅛	Treasury 2½pc	19⅛	+⅛	13.20	—

**INTERNATIONAL BANK

1977 High	1977 Low	Stock	£	+ or −	Yield Int.	Yield Red.
81	75½	5pc Stock '77-82	81	.....	6.28	10.14

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS (Miscel.)

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 43½% (based on $US1.7153 per £)

Conversion factor 0.7027 (0.6820)

CANADIANS

1977 High	1977 Low	Stock	£	+ or −	Div. Gross	Cvr	Y'ld Gr's
11⅛	10	Bk. Montreal $2	11¼xd	−⅛	$1.00	—	5.2
17⅞	13⅜	Bk. Nova Scotia $1	14½	−⅜	96c	—	3.5
41¼	34¼	Bell Canada 25c	40½	−½	$4.08	—	5.9
19⅜	13⅜	Bow Valley‖	15⅝	−1⅛	10c	—	0.4
995p	875p	Brascan‖	980p	−10	$1.00	—	6.0
22⅛	17⅛	Can. Imp. Bk. $2	17⅞	−⅜	$1.40	—	4.7
14⅛	11⅛	Can. Pacific $5	14¼	−¼	80c	—	3.5
33¼	26½	Do. 4pc Deb. £100	31xd	.....	4%	—	12.9
22⅞	18⅞	Gulf Oil Can.‖	19½	−⅛	$1.06	—	3.2
420p	335p	Hawker Sid. Can.‖	410p	−5	36c	—	5.2
25½	20¼	Hollinger $5	23⅝	+1	$1.94	—	6.0
13⅛	11⅛	Hudson's Bay‖	11⅛	−⅛	65c	—	3.5
29½	25⅛	Hud. B. Oil G. $2½	28¼	−⅛	$1.52	—	3.1
18¼	15⅛	Imperial Oil‖	15½	−½	86.4c	—	3.2
28¼	22	Inco	22	−⅛	$1.60	—	4.3
875p	740p	Int. Nat. Gas $1	850p	−25	80c	—	5.5
18⅝	14½	Massey Ferg.‖	16½	−¼	$1.00	—	3.6
24½	20⅜	Pacific Pet. $1	22	−⅛	36.4c	—	2.3
42p	32p	Place Gas $1	35p	.....	—	—	—
24	19⅞	Rio Algom	23	.....	$1.00	—	2.6
22	17⅛	Royal Bk. Can. $2	18⅝	−⅛	$1.38	—	4.4
19⅞	16⅛	Seagram Co. C$1	16⅛	−⅛	86.4c	—	3.1
16⅞	12⅛	Tor. Dom. Bk. $1	12⅞	−⅛	76c	—	3.5
11¼	925p	Trans. Can. Pipe $3½	11⅛	−⅛	95c	—	4.8

S.E. List Premium 43½% (based on $1.8154 per £)

BANKS AND HIRE PURCHASE

1977 High	1977 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
335	246	ANZ $A1	320xd	−7	tQ18c	—	3.5	—
238	180	Alexanders D. £1	215	.....	12.83	—	9.2	—
£114	£92½	Algemene Fl.100	£104½	−1	Q...	2.5	5.5	7.5
440	350	Allen Harvey £1	410	.....	†t30.2	—	11.4	—
126	96	Allied Irish	124xd	+1	Q9.23	—	7.4	—
158	105	Arbuthnot L. £1	140	.....	8.28	—	9.1	—
£25½	£18½	Bank Amer. $1.565	£18¾	−⅜	Q80c	—	2.7	—
340	260	Bk. Ireland £1	332xd	−3	¶13.25	—	8.2	—
£121	£100	Do. 10pc Conv.	£116	.....	Q10%	—	18.8	—
27	22	Bk. Leumi IS1	22½	.....	Q16%	—	4.6	—

[illegible]

Hire Purchase, etc.

For Brit. Debt. Ser. see Credit Data Limited

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Continued

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Continued

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING, MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc.

TRUSTS—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ‖ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ◆ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend: cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ψ Excluding a final dividend declaration.
- ‡ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital: cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 44

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	20	......
Ash Spinning	40	......
Bertam	16	......
Bdg'wtr. Est. 50p	215	......
Clover Croft	21	......
Craig & Rose £1	360	......
Dyson (R.A.)	24	......
Ellis & McHdy	63	......
Evans Fr'k. 10p	29	......
Evered	10½	......
Fife Forge	48	......
Finlay Pkg. 5p	22	......
Graig Ship. £1	345	......
Hallam Sleigh 10p	9½	......
Higsons Brew	90	......
I.O.M. Stm. £1	363	+6
Holt (Jos.) 25p	222	......
Kleen-e-Ze	42	......
Lovell's Ship £1	160	......
N'thn. Goldsmith	52	......
Pearce (C. H.)	100	......
Peel Mills	13	......
Robb Caledon 5p	94	......
Sayers 12½p	32	......
Sheffield Brick	88	......
Sheff. Refrshmt.	165	......
Shiloh Spinn	20	......
Sindall (Wm.)	65	......

IRISH

Conv. 9% '80/82	£95¾	+⅛
Alliance Gas	46	......
Arnott	260	......
Carroll (P.J.)	96	......
Clondalkin	53	−1
Concrete Prods.	77	......
Heiton (Hldgs.)	32	+1
Ind. News	67	+1
Ins. Corp.	120	......
Irish Distillers	67	......
Irish Ropes	130	......
Jacob	46	......
Sunbeam	17	......
T.M.G.	85	......
Unidare	60	......

OPTIONS
3-month Call rates

Industrials

A. Brew	6½	Hawker Sidd.	40	Tube Invest.	30
A.P. Cement	18	House of Fraser	8	Unilever	40
B.S.R.	10	I.C.I.	25	Utd. Drapery	7½
Babcock	8	"Imps"	7	Vickers	15
Barclays Bank	25	I.C.L.	14	Woolworths	6
Berry Wiggins	5	Inveresk	7		
Beecham	32	Ladbroke	11		

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Friday June 3 1977

Rhodesia pulls army out of Mozambique

BY OUR FOREIGN STAFF

RHODESIAN security forces were returning home yesterday after a five-day incursion deep into Mozambique against black nationalist guerrillas.

Lt.Gen. Peter Walls, the Rhodesian Chief of Combined Operations, said that the Rhodesian troops had completed their task of "destroying terrorist arms and ammunition dumps." The security forces had withdrawn from their furthest point of advance—the town of Mapai, some 50 miles inside Mozambique—on Wednesday afternoon.

In London, Dr. David Owen, the Foreign Secretary, was said to be "greatly relieved" at the withdrawal.

Immediately on his return to London from the North-South dialogue conference in Paris, the Foreign Secretary consulted Mr. John Graham of the Foreign Office and Mr. Steven Low, the U.S. Ambassador to Zambia, who have just completed a tour of Southern Africa, assessing the prospects for agreement on a Rhodesian independence constitution.

Although Dr. Owen fears that the Rhodesian invasion may have jeopardised the chances of the Anglo-American initiative—and may even have been designed to do just that—Mr. Graham is expected to return to Southern Africa shortly after further consultations between the British and U.S. Governments.

In Salisbury, Gen. Walls said that the aim of the Rhodesian raid had been to destroy guerrilla bases from which attacks were being launched into Rhodesia to murder innocent civilians.

The operation was essentially one of self-defence in that it would lead directly to saving the lives of many black villagers in tribal areas of South-East Rhodesia.

The general denied claims from Maputo that forces of Frelimo, Mozambique's army, had engaged the Rhodesians, saying that the only contacts had been with Rhodesian guerrillas. Care had been taken to avoid those areas where there was a known Frelimo army presence.

Mr. Roger Hawkins, the Rhodesian Minister for Combined Operations, said in a BBC TV interview last night that he would sanction a similar raid in future "without hesitation." He believed the incursion had given Rhodesia a breathing space and had achieved a major disruption of guerrilla plans for further invasion of Rhodesia.

From Dar es Salaam it was reported that Mozambique claimed the capture of an unspecified number of Rhodesian soldiers who took part in raids on her territory.

Editorial Comment, Page 14

Benn heads new anti-EEC move

BY PHILIP RAWSTORNE

THE ENERGY Secretary yesterday nimbly side-stepped the Cabinet's EEC policies to place himself at the head of the renewed anti-Market campaign being launched within the Labour Party.

Labour's prospects at the next general election could depend more on its future approach to the question of the Common Market than on any other single political issue, Mr. Anthony Wedgwood Benn said in London.

Mr. Benn speaking while presenting a vigorously anti-Market pamphlet published by the party's Common Market Safeguards Committee, said: "We are bound to consider future relations with the EEC in the light of our experience of membership."

He steered a dexterous course within the rules of the Cabinet's collective responsibility, avoiding any criticism of Government policy or any partisan reference to the dispute over direct elections to the European Parliament.

Though the Common Market Safeguards Committee registered its strong opposition to direct elections, Mr. Benn's precisely-worded statement did not mention the issue.

Deficit

But it heavily emphasised the set-backs and disadvantages which, Mr. Benn claimed, had resulted from Britain's EEC membership.

British taxpayers and consumers were paying dearly for the Common Agricultural Policy both in subsidies to European farmers and higher food prices.

The accumulated trade deficit with the Six in the first four years of membership amounted to nearly £8bn., of which £3.5bn. was in manufactured goods. "Last year alone the trade deficit with the Six amounted to nearly £2.5bn."

Expectations of more jobs being created had not materialised. "Unemployment has risen steadily, though partly, of course, because of the world slump."

In the first two years, five times as much British capital (£886m.) had been invested in the EEC as was invested by the EEC in Britain (£176m.).

In manufacturing investment, nine times as much capital (£466m.) left Britain for the EEC as flowed in the opposite direction (£53m.).

Britain's living standards had declined in relation to the Community's average standards; yet over the next five years the country expected to pay £3bn. net into the Community budget.

Three other policies were now being put forward:

1—To press for a United States of Europe with wider powers for the Community over the U.K. "converting Britain into an island province" of a Federal European State governed from Brussels.

2—To campaign for fundamental and democratic reforms in Britain's relations with the Common Market through Parliament by amending the European Communities Act.

3—To persuade the British people to leave the EEC altogether "as we clearly have a constitutional right to do if Parliament and the people were so to decide."

The Common Market, The Cost of Membership; Labour Common Market Safeguards Committee, 72, Albert Street, London, NW1; 50p.

Post Office £220m. order cuts backed by report

BY MAX WILKINSON

THE POST OFFICE has been vindicated by a report published yesterday on its decision to cut £220m. from its orders for telephone switchgear.

The report, by Mr. Michael Posner of Cambridge University, was ordered by the Government when 4,000 workers in factories owned by Plessey were declared redundant.

In all 1,600 telecommunications workers will leave their jobs to-day at the expiry of 90-day notices, and the Kirby and Speke factories will close.

The report says that the Post Office's new method of calculating the capacity of its exchange equipment is broadly correct.

It was this new calculation based on a computer analysis of traffic volumes that led the Post Office to announce its £220m. cut in orders from suppliers over the next three and a half years.

Mr. Posner, however, is critical of the way in which suppliers were informed abruptly of the cuts without consultation.

He is also critical of the relationship between the Post Office and its suppliers in the past and suggests that ways should be found for evening the ordering pattern in the next generation of equipment.

The report puts forward two ways in which the Post Office could help manufacturers out of their current difficulties.

1—Acceleration of the modernisation programme using the semi-electronic TXE4 exchanges. A change in the Test discount rate from 10 per cent. to 7 per cent. could, he says, increase orders by £10m. a year, but this would only provide about 1,000 jobs.

2—Bringing forward the present "step by step" programme of extending old-fashioned electro-mechanical Strowger exchanges.

The Post Office has held talks with manufacturers about bringing forward £3m. of the Strowger programme from 1979-80 to 1977-78. It was intended to give this £3m. order to Plessey, but the scheme was abandoned because of objections from the rest of the industry.

The Post Office's reaction to the report was satisfaction that Mr. Posner confirms it got its sums right.

The Post Office said it was not able to take up Mr. Posner's suggestion that the Test Discount Rate applying to the purchase of TXE4 equipment should be modified from 10 per cent. to 7 per cent., enabling the Post Office to purchase more equipment.

The fact is the Post Office is to double the number of electronic exchanges in service during the next five years. Some 750 new electronic exchanges will be installed at a cost of £700m., compared with 800 during the past 11 years.

Mr. Eric Varley, the Industry Secretary, has accepted the main conclusions of the Posner report and hopes it will take heat out of the unions' resentment against the present redundancies.

Mr. Eddie Loyden, MP for Liverpool Garston and Secretary of the Merseyside Labour MPs, said last night he had written to Industry Secretary Mr. Eric Varley urging him to freeze the proposed redundancies and factory closures.

Report details Page 6

Tax dispute could cost BP £57m.

BY MARGARET REID

A TAX dispute overseas could cost British Petroleum £57m. the group said yesterday, when it announced greatly increased profit for the first quarter of this year. Net income for January-March leapt to £90.5m. from £20.2m. in the first quarter of last year with the help of North Sea oil production.

A BP spokesman declined to identify the country concerned in the tax wrangle, or to discuss the claim, in case negotiations should be prejudiced. BP said payments had been made to the country in respect of a claim for capital gains tax which had been levied as a result of group reorganisation in the U.K. in 1972.

The outcome of discussions on the claim could lead to a maximum charge of £57m., after allowing for existing provisions. Any charge would be shown as an extraordinary item in the accounts for the year in which the matter was resolved.

There were indications yesterday that preparations for the Government's £600m. sale of a 17 per cent. shareholding from its 68 per cent. interest in BP are very far advanced. The arrangements are due to be announced on June 14.

It appears an outline solution has been found to the problem of co-ordinating the main share offer in London with one of \$200m. (£116m.) to U.S. investors.

BP's much higher first quarter profit is attributed largely to the increase of output from the Forties Field to 378,000 barrels a day and to a net rise of £25m. in stock values.

Output from Forties is expected to increase to the field's maximum of 500,000 barrels a day by the end of this year.

U.S. could pull out of air traffic talks

BY DAVID BELL

WASHINGTON, June 2.

THE U.S. delegation to the Bermuda Agreement talks now going on in London will decide to-morrow whether to end its negotiations and return to Washington, the State Department said to-night.

The two sides are still "far apart on items of fundamental importance" and unless some "concession" is forthcoming the delegation will return home to wait another round of talks in the future.

The Department was unwilling to speculate on what concessions would meet U.S. requirements, but said that an overall assessment of progress in the talks would be completed tomorrow and a decision taken then.

The talks are designed to replace the existing Bermuda Agreement which regulates civil air traffic between Britain and the U.S.

The Department said a breakdown in the talks could lead to air services between the two countries being suspended after June 22, the day on which the treaty expires.

The two sides had originally intended to have a recess over the Jubilee weekend and then, according to the State Department, continue the talks in London.

But it now appears that the negotiations have been going less well than expected in the last few days and the Administration is weighing up whether there is any point in proceeding further.

Continued from Page 1

Jones opposes Phase 3

was also needed. Mr. Jones said—especially to take more of the low paid out of the tax net than proposed in the March Budget.

But that should not be part of a deal. Like price controls, it too would contribute to the improvement of the climate.

Mr. Jones would not say explicitly that self-financing productivity deals should be exempt from the 12-month rule. But they should be examined carefully and there was something to be said for their early introduction.

If, as the Chancellor himself believes, productivity bargaining could be outside any guidelines on pay settlements, it would allow groups — not least the miners—to pick up extra earnings before the anniversary of their pay agreement.

If there are no guidelines on the size of the permissable wage settlements after August 1, then Government might have to revise its plans for a further year of controls on profit margins and company dividends.

Mr. Hattersley has already stated that there will be no margin and dividend controls without a pay policy.

The question is whether Mr. Jone's ideas would constitute a pay policy within the terms of the Remuneration and Grants Act.

Under this Act the Government can only implement the profit and dividend controls as long as the pay policy has been presented in a document before Parliament.

The Act, which also allows the Government to monitor adherence to the pay policy through the price controls, refers to "limits" on pay.

But it is not clear whether a limit on the frequency of wage settlements would in itself provide sufficient grounds for implementing the profit controls which the TUC insisted were maintained for a further year this spring, but which are due to expire in August next year.

Mr. Hattersley's plans for a new system of selective investigations into proposed price increases, backed up by powers to freeze prices, are designed to be permanent and are not pegged to an agreement on wages.

CBI wants national pay forum

By John Elliott, Industrial Editor

CBI leaders are to meet the Chancellor of the Exchequer soon to urge him to take up their ideas for developing pay policy by creating a new National Economic Forum and by modernising industrial wage bargaining.

This emerged yesterday when the CBI published its proposals in a discussion document called the "Future of Pay Determination" which traces the problems of past incomes policies and tries to map out a plan for free bargaining without inflation.

The National Economic Forum would probably include representatives from both sides of industry, the Government, and other interests. But CBI leaders are sensitive about accusations that this could lead to a form of "corporate state" economic management. "This is not tripartite corporatism but the creation of a climate of opinion to show that freedom really works" declared Mr. John Methven, CBI director general.

The document amounts to one of the most wide-ranging and detailed policy documents prepared by the CBI and has been widely canvassed among its members.

Restraint

Mr. Jack Jones, general secretary of the Transport and General Workers' Union, said he did not think much of it and suggested that many industrialists might consider that the CBI had not got the experience to pronounce on wage policy issues.

From the other end of the political spectrum, the Right-wing Conservative Selsdon Group dismissed it as the "work of economic delinquents." It said that "instead of supporting corporate state ideas, the CBI should be pressing for massive reductions in the public sector."

In its proposals the CBI says the Government should play a key role in three areas—in controlling its own expenditure, in controlling wage rises in the public sector, and in its management of the money supply. Then private sector employers could follow the example set by the Government in public sector wage bargaining and operate restraint themselves.

Overall the CBI bases the credibility of its ideas on changing national attitudes and has been looking wistfully at the "concerted action" system in Germany.

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Weather

U.K. TO-DAY

MAINLY DRY. Temperatures near normal in most places.

London, E. Anglia, Channel Islands, S.E., S.W. and Cent. S. England
Mainly dry, sunny intervals. Wind north easterly, moderate. Rather cool. Max. 17C (63F).

E. and W. Midlands, N. and S. Wales, N.W. and Cent. N. England, Lake District, Isle of Man
Dry, sunny spells. Wind variable, light. Near normal temperatures. Max. 17C or 18C (63F or 64F).

E. and N.E. England
Dry, sunny spells. Wind variable, light. Near normal temperatures. Max. 17C (63F) but 15C (59F) on coasts.

Borders, Edinburgh and Dundee, S.W. Scotland, Glasgow, N. Ireland
Dry with sunny spells becoming cloudy later. Wind variable light. Near normal temperatures. Max. 17C (63F).

Aberdeen, Cent. Highlands, Moray Firth, N.E. and N.W. Scotland Argyll, Orkney, Shetland
Rather cloudy, occasional rain later. Wind southwesterly moderate or fresh becoming northwesterly in north later. Near normal temperatures. Max. 12C to 14C (54F to 57F).

Outlook: Cloudy at times with occasional rain or showers in places but also sunny periods. Rather cool but warm in some southern parts at first.

BUSINESS CENTRES

	Y'day Mid-day	°C	°F		Y'day Mid-day	°C	°F
Amsterdm.	C	15	59	Madrid	C	18	64
Athens	S	25	77	Manchstr.	S	15	59
Bahrain	S	33	93	Melbourne	R	12	54
Barcelona	F	21	70	Milan	S	19	66
Belfast	C	13	55	Montreal	S	17	63
Belgrade	F	18	64	Moscow	F	16	61
Berlin	S	13	55	Munich	S	13	55
Birmghm.	S	15	59	Newcastle	S	14	57
Bristol	S	17	63	New York	R	25	77
Brussels	C	12	54	Oslo	F	16	61
Budapest	F	16	61	Paris	S	15	59
B. Aires	C	14	57	Perth	S	18	64
Cairo	S	36	97	Prague	S	14	57
Cardiff	S	17	63	Reykjavik	C	9	48
Cologne	S	12	54	Rio de J'o	S	22	72
Copenhgn.	F	11	52	Rome	S	21	70
Dublin	C	13	55	Singapore	C	31	88
Edinburgh	S	17	63	Stockholm	F	16	61
Frankfurt	S	17	63	Strasbrg.	C	20	68
Geneva	S	15	59	Sydney	S	13	55
Glasgow	S	16	61	Tehran	S	32	90
Helsinki	F	14	57	Tel Aviv	S	25	77
H. Kong	S	28	82	Tokyo	R	20	68
Jo'burg	S	22	72	Toronto	C	18	64
Lisbon	S	20	68	Vienna	S	17	63
London	C	16	61	Warsaw	C	17	63
Luxemb'g	S	16	61	Zurich	S	18	64

HOLIDAY RESORTS

	Y'day Mid-day	°C	°F		Y'day Mid-day	°C	°F
Biarritz	S	25	77	Locarno	F	19	66
Blackpool	S	17	63	Luxor	[illegible]	[illegible]	[illegible]
Bordeaux	S	25	77	Majorca	F	22	72
Casablnca.	S	19	66	Malaga	S	25	77
Cape Tn.	R	16	61	Malta	S	20	68
Corfu	S	25	77	Nairobi	[illegible]	[illegible]	[illegible]
Faro	S	22	72	Naples	S	22	72
Florence	S	22	72	Nice	S	20	68
Funchal	C	20	68	Oporto	F	18	64
Gibraltar	S	26	79	Rhodes	S	24	75
Guernsey	S	15	59	Salzburg	S	20	68
Innsbruck	S	18	64	Tangier	S	22	72
Inverness	F	19	66	Tenerife	S	24	75
Isle of Man	F	14	57	Tunis	S	25	77
Jersey	C	15	59	Valencia	S	22	72
Las Plms.	F	22	72	Venice	S	22	72

S—Sunny. F—Fair. R—Rain. C—Cloudy. H—Hazy.

Continued from Page 1

UK's reserves fall

the return of sterling used in the finance of third country trade following the official ban on these transactions, bringing in a figure now estimated at up to \$1.7bn.

These inflows, however, were generally recognised to be of a once-for-all nature. It is now apparent that last month they had more or less ended, while other factors were becoming less favourable to the U.K.

The recent bout of pressure on sterling was attributed to a number of causes.

These included movements of funds by multi-national coporations, uncertainty over the prospects for the pay policy and inflation rates in the U.K., and speculation about the attitudes of the IMF team then in London.

This underlines the volatile nature of some of the inflows earlier this year.

The major influence, however, is thought likely to have been the sharp drop in U.K. interest rates compared with other centres, particularly as levels in the U.S. have begun to move up.

The May figures are struck after taking account of the drawing of the second tranche of the U.K.'s credit from the IMF; this totals £320m. special drawing rights, equivalent to about \$360m.

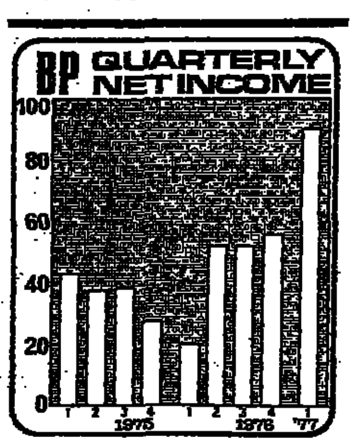
It was confirmed last week that this drawing would be taken, though until now it has not been clear whether it would appear in the past month's figures.

The U.K. also had net accruals of \$16m. through foreign currency borrowing by the public sector under the exchange cover scheme.

THE LEX COLUMN

BP helps to set the stage

Index rose 6.0 to 454.6



BP is helping along the Government's share sale by producing first quarter net income of £90.5m., well up on the £55.9m. of the final quarter last year. But it also warns that the pressures on earnings could be greater in the current three months. Not only will the £25m. stock profits which boosted January-March largely disappear, but the adverse impact of the two-tier crude price structure will be coming through a quarter in arrears: only a tenth of the group's crude comes from the producers which raised prices by 5, rather than 10 per cent. on January 1.

On the other hand, the Forties contribution continues to build up, and although second quarter production averaging 400,000 barrels a day will only be about 6 per cent. greater than in the first three months, the time lags involved mean that earnings will still be reflecting an earlier more buoyant trend. So it is possible that overall net income in April-June may not fall back very much.

There is some doubt about whether the prospectus will contain an actual profits forecast, but BP will certainly be co-operating to the extent of spelling out the factors likely to affect its volatile earnings pattern. July 1, for instance, could bring some relief on crude prices as the OPEC members ease back into line, but that may not happen at once and in any case the benefit will not be felt until the fourth quarter. As for Alaska, oil should start going in one end of the pipeline later this month and emerge from the other end 30 days later, but it may be early next year before a substantial impact appears in BP's profit and loss account. Meantime, the Forties production rate is projected to climb another 25 per cent. by the year-end.

Peering into this fog the market appears to be expecting net income of around £350m. for the year, but it is the dividend—the prospective yield after a one-tenth increase is just 3.6 per cent. at 932p—which could prove a more potent short term factor if the Treasury can rack its brains and find a loophole.

The first quarter statement contains one oddity, a £57m. capital gains tax demand from an unnamed overseas country, said to be related to a 1972 transaction. Why such a large long-term claim should have gone unmentioned in the annual report in March is not clear. Still, it is just 2 per cent. of net worth—and under ED19 BP will be taking over £100m. out of deferred tax reserves.

The floater

Although the chairman of one bank has described the Government's experimental variable rate bond as "bland, uninteresting and unimaginative" there has been no shortage of buyers in the first four days' trading. At least half of the £400m. issue appears to have gone and there were stories yesterday that it was close to exhaustion.

Clearly, there have been a few souvenir hunters around who have been bidding out of sheer curiosity. But there also seems to have been fairly strong demand from money market sources. Currently, the floater is yielding ⅛ of a point more than Treasury bills and for traditional investors in seven-day money, local authority deposits, certificates of deposit and the like it has obvious attractions at the moment since its yield is around half a point higher. Market estimates suggest that at least half, and maybe three-quarters, of the money going into the floater has been diverted from the money markets.

The discount houses appear slightly snooty about it although every house probably has bought some paper and as a group they may hold up to £50m. There has also been some foreign interest from traditional investors in Treasury bills, while pension funds and insurance companies have been nibbling away, as part of their money market activities.

Grand Metropolitan

Grand Metropolitan is heading for a profits increase of as much as 30 per cent. in the year next September, and its hi[gh] level of debt is being cut ba[ck] according to schedule. For t[he] first half of the year, profits a[re] up from £20.8m. to £27.2m. p[re-]tax, with the main impet[us] coming from hotels, enterta[in]ment and catering.

Hotels nowadays account f[or] only 7 per cent. of operati[ng] profits: still, they have had [a] very much better winter a[nd] the catering business is al[so] picking up, in comparison wi[th] a poor period in 1975-76. [In] brewing, the group claims to [be] gaining market share in pr[e]mium beers and lagers, a[nd] wines and spirits are also doi[ng] much better in the U.K.

Interest costs have risen [by] £2¾m. in the first six months when average base rates we[re] over 2½ points up on the co[m]parable period—but could e[nd] the year roughly unchange[d]. The betting side is improvi[ng] after a tough start to the ye[ar] and overall the group seems [to] be heading up to over £70[m.] pre-tax and fully diluted ea[rn]ings of around 9p per share.

On that basis net short-te[rm] borrowings could fall [by] roughly £15m. to under £60[m.] while tangible shareholde[rs'] funds could rise to well o[ver] £300m., depending on the tre[at]ment of deferred tax. Of [the] remaining debt (which stood [at] £452m. in the last balan[ce] sheet) up to £122m. is likely [to] be swapped into equity wh[en] the convertible expires n[ext] year. So there is a good cha[nce] that the balance sheet ra[tio] will be transformed by the e[nd] of 1977-78: meanwhile the p[ro]spective yield at 79½p is o[ver] 8 per cent.

British Enkalon

British Enkalon's los[ses] during 1976 reduced its [net] assets to £12.6m., while its d[ebt] currently stands at £19.3m. [It] is virtually all repayable wi[thin] five years. Its shares stand [well] below par at 14p (giving a [mar]ket capitalisation of £4m.) [and] although trading is appare[ntly] picking up from the trough, [the] group does not expect to [be] able to pay any dividend [this] year or next. So a conventi[onal] equity issue is out of the q[ues]tion—and it is just as well [that] there is a big brother at h[and] in the shape of its Dutch pa[rent] Akzo. The latter is proposin[g to] put in £2½m. of new equ[ity] which will increase its hol[ding] from 62 to 72 per cent. [This] looks eminently acceptable f[rom] the U.K. point of view.

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